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German companies
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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY DECEMBER 22 1992 — D8523A

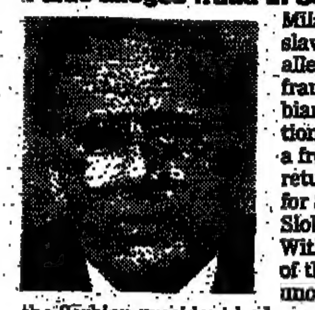
Japanese draft budget aims to stimulate growth

Japan's finance ministry published a 1993-94 draft budget which aims to balance an expected fall in tax revenues with a desire to stimulate the economy. The draft, which increases total outlays by just 0.2 per cent, but public works spending by 4.8 per cent, will be debated by the government. Page 12; Editorial Comment, Page 10

BfG deal faces further disruption: Differences over plans for Crédit Lyonnais to take control of Germany's BfG bank have been resolved, it was claimed, though further potential obstacles emerged to the deal. Page 13

Ciga, international hotels group controlled by the Aga Khan, is selling 51 per cent of its Italian hotel-owning arm for L301bn ($214m) in a last-minute effort to meet a year-end deadline imposed by bankers to reduce borrowings. Page 13

Panic alleges fraud in Serbian elections:



Milan Panic, the Yugoslav prime minister, alleged widespread fraud in Sunday's Serbian presidential elections and called for a fresh ballot as early returns indicated victory for Serbian president Slobodan Milosevic. With about 10 per cent of the vote counted, unofficial results showed the Serbian president had received 56 per cent against 33 per cent for Mr Panic. Page 12

UK coal plans judged unlawful: The UK government's decision to close 31 coal pits was judged unlawful by the High Court, prompting jubilation from mineworkers and a call for the resignation of trade and industry secretary Michael Heseltine. Page 12

Dutch DC-10 crash kills 50: At least 50 people were killed when a Martinair DC-10 carrying 327 Dutch holidaymakers and 13 crew to Portugal crashed while trying to land in heavy rain and wind at Faro airport. Page 2

US-Dutch tax treaty: Many multinational companies will have to restructure operations in order to avoid substantial tax rises under a draft treaty between the US and the Netherlands negotiated over 11 years. Page 13

Lucas, UK car and aerospace components maker, is to sell its fluid power systems division to Sophus Berendsen of Denmark for a figure thought to be about £30m. Page 17; Lex, Page 12

UK firm on HDTV: Britain has again blocked EC funding to develop high-definition television, rejecting a compromise five-year "action plan". Page 2

New trade zone: Poland, Hungary, Slovakia and the Czech republic formed a trading zone designed to end tariff barriers by the end of the century and ensure compatibility with the European Community and members of the European Free Trade Area. Page 4

Somali gunmen wounded: French troops wounded at least three gunmen when they came under attack near Baidoa in southern Somalia. Page 4

Indian PM survives: Indian prime minister P.V. Narasimha Rao survived a no-confidence vote over his handling of the Ayodhya mosque crisis, *but failed to reimpose authority on his* Congress (I) party. Page 4

IBM, US computer company, has recalled two experienced former vice-chairmen – Paul Rizzo and Kaspar Cassani – to act as consultants to help it through its most challenging crisis. Page 15

Rhône-Poulenc, French chemicals group, is to build and operate two plants with local partners in China where it plans to supply the fast-growing textiles industry. Page 4

Honecker appeal rejected: A court ordered that Erich Honecker, 80-year-old former East German leader, should be kept in jail and stand trial for manslaughter, in spite of medical reports showing he may die within six months.

Mutiny in Zaire: Troops mutinied in the central Zairean town of Kisangani, arresting the regional *governor and going on a looting spree. Expatriates* are being evacuated.

Snecma, France's state-controlled aircraft engine maker, warned of substantial losses in 1992 and said it saw no prospect of a return to profit next year. Page 14

■ STOCK MARKET INDICES

FT-SE 100:	2,887.7	(+18.0)
Yield	4.33	
FT-SE Eurotrack 100	1,059.21	(+8.96)
FT-A All-Share	1,343.89	(+0.8%)
Nikkei	17,845.44	(−35.30)
New York: lunchtime		
Dow Jones Ind Ave	3,305.43	(−7.84)
S&P Composite	438.99	(−1.29)

■ US LUNCHTIME RATES

Federal Funds:	3 1/16%
3-mo Treas Bills: Yld	3.187%
Long Bond	102 11/32
Yield	7.372%

■ LONDON MONEY

3-mo Interbank	7¼%	(same)
Liffe long gilt future:	Dec 100 ⅞	(Dec 100 13/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$18.525	(same)

■ Gold

New York Comex (Dec)	$334.8	(337.7)
London	$333.95	(337.15)

■ STERLING

New York lunchtime:		
$	1.5685	
London:		
$	1.5645	(1.5655)
DM	2.4525	(2.45)
FFr	8.3925	(8.3675)
SFr	2.2125	(2.2075)
Y	192.25	(193.0)
£ index	80.3	(80.4)

■ DOLLAR

New York lunchtime:		
DM	1.567	
FFr	5.3555	
SFr	1.4135	
Y	123	
London:		
DM	1.568	(1.5655)
FFr	5.3575	(5.345)
SFr	1.4135	(1.41)
Y	122.95	(123.3)
$ index	64.9	(same)

Tokyo close Y 123.15

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00		

US accused of shifting position on market access during Gatt talks

French threat to trade accord

By Lionel Barber in Brussels

FRANCE yesterday cast fresh doubts over prospects for an early world trade accord, accusing the US of backtracking in the multilateral Geneva talks on market access and services.

Mr Roland Dumas, French foreign minister, told his European Community counterparts in Brussels that the US had shifted its position on industrial tariffs, anti-dumping, intellectual property and standards. He also issued what has become a ritual French denunciation of the US-EC accord on reducing farm export subsidies.

The French warning that the General Agreement on Tariffs and Trade talks could be heading for a stormy period was echoed by Mr Jacques Delors, European Commission president, and Mr Uffe Ellemann-Jensen, Danish foreign minister, who spoke of "disturbing sounds" from Geneva.

Mr Douglas Hurd, the UK foreign secretary, who chaired yesterday's meeting, conceded there was "some stiffening on the US side". But provided the US showed flexibility and the EC showed solidarity, the goal of an agreement by mid-January was still possible, he said.

In Geneva, trade negotiators said yesterday that the commitment by the US and EC to complete a Gatt deal had failed to take note of the time needed to win agreement from the other 106 countries negotiating in the round.

Mr Dumas, however, produced a letter from Mr Frans Andriessen, chief EC negotiator, to Mrs Carla Hills, US trade representative, in which Mr Andriessen registered his "deep disappointment" relating to the latest moves on market access and the creation of a new world international trade organisation.

At yesterday's meeting, EC foreign ministers agreed to open formal enlargement negotiations with Sweden, Austria and Finland in Brussels on February 1. Denmark, which takes over the rotating EC presidency from the Britain on January 1, will handle the talks, which are likely to include Norway shortly thereafter.

The ministers failed to agree, however, on European Commission proposals to strengthen its arsenal of trade weapons, including anti-dumping measures and quotas, in time for the official launch of the single market on January 1.

Britain and Germany led a free trade bloc against a Commission plan to reverse longstanding policy by requiring that new duties should be blocked by a qualified majority. At present a blocking minority suffices.

The impasse on anti-dumping killed hopes of progress on proposals to scrap or "harmonise" national quotas on non-EC goods, once the single market comes into effect. The Commission wants to replace national quotas with EC-wide quotas in sensitive areas such as textiles, footwear and toys.

Failure to reach a deal means the Commission will probably have to introduce provisional rules to cover imports in these sensitive areas for large third-country exporters such as China. Exports from Poland, Czechoslovakia, and Hungary are covered by separate bilateral accords with the EC.

Europe's new trade zone, Page 3
Lex, Page 12

Palestinians trapped by militia gunfire

By Hugh Carnegy in Jerusalem and Lara Marlowe in Beirut

TWO Palestinians were wounded yesterday when Israeli-backed militiamen fired warning shots to stop about 415 deportees stranded in a Middle East no-man's land from re-entering Israeli-held territory.

As the deadlock between Lebanon and Israel over the fate of the deportees continued, Mr Yitzhak Rabin, the Israeli prime minister, told parliament in Jerusalem his government was firm in its resolve not to let them return. "I confess there is no pity for them in my heart," he said.

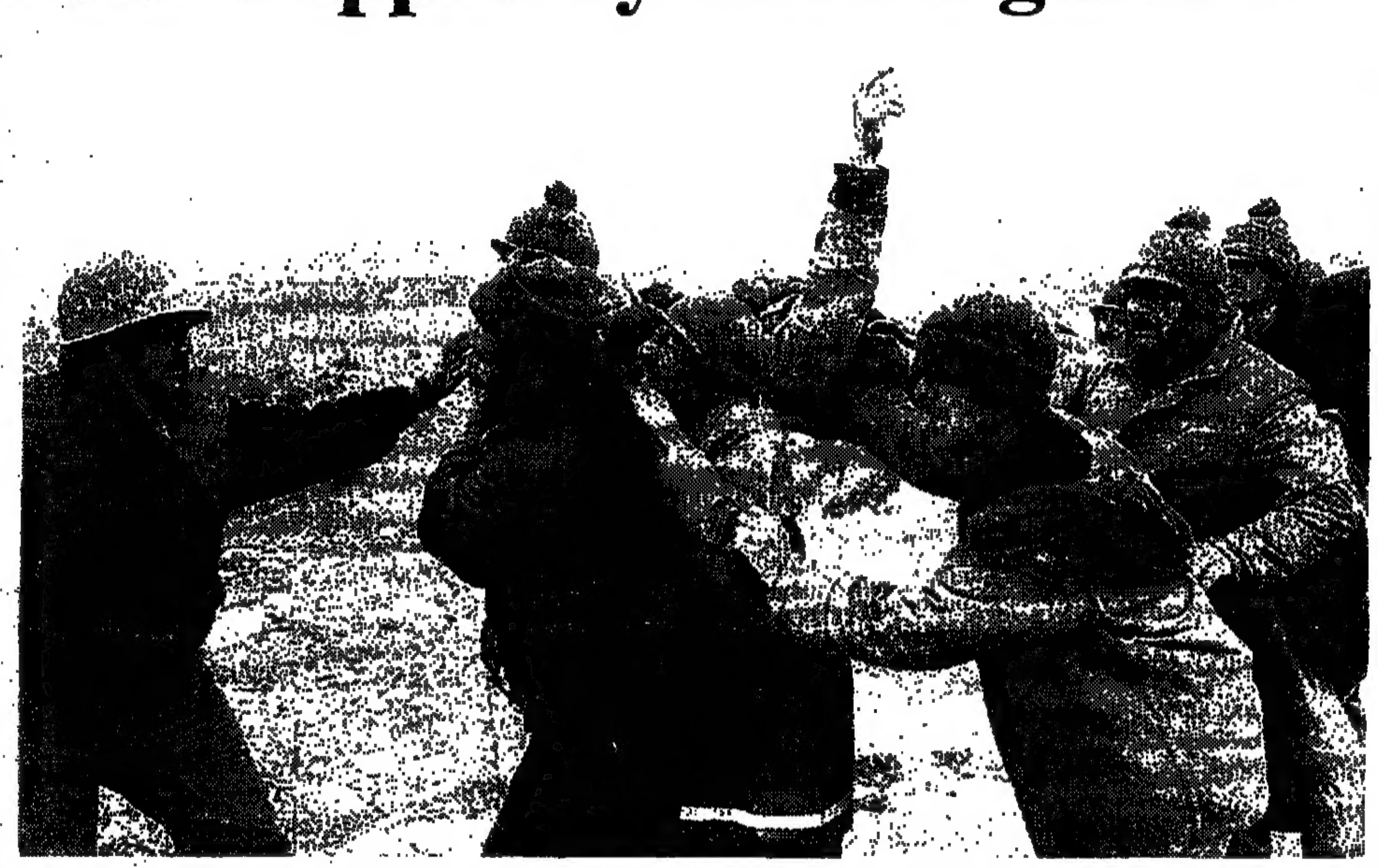
In Beirut, the Lebanese government repeated that it was not responsible for the expelled Palestinians. And Lebanese prime minister Rafik al-Hariri told humanitarian organisations they could no longer provide emergency aid.

The Israeli High Court adjourned until today its consideration of a civil rights petition to force the government to rescind the deportations.

In the US, General Colin Powell, chairman of the Joint Chiefs of Staff, added his voice to the US administration's criticism of the expulsions. "Counterviolence and deportations are not the answer we need to Israel's legitimate security needs," General Powell told a Jewish audience at Yeshiva University in New York.

Earlier, the deportees, expelled last week for their alleged links to Islamic fundamentalist groups which had shot dead six Israeli soldiers, were ordered by Lebanese troops to leave their makeshift camp in no-man's land in south-eastern Lebanon and return southwards to Israeli-controlled territory.

Reporters at the scene said the South Lebanon Army, which is armed and controlled by Israel, twice opened fire around the deportees and over their heads with tank shells, mortars and heavy machine guns when they came within several hundred yards of SLA positions at Zemraya on the edge of Israel's Lebanese "security zone".



Palestinian deportees carry Amjad Zemal, wounded by shrapnel in an attack by militia as they approached the Israeli border

Mr Amjad Zamel, 20, was wounded by shrapnel in the face and was evacuated by reporters to a hospital at Rashaya, north of the Israeli-occupied zone. Another deportee was injured later after a second outbreak of violence. Israeli military spokesmen said they had no information on the shootings. "We will try our best not to hurt them, but our policy is not to allow them back," one said.

At nightfall, the deportees were said to have moved back towards their tent encampment in the area between the Israeli and Lebanese armies to spend a fifth successive night. The SLA planted mines to prevent another attempted crossing and received water cannon and teargas to use in the event of another attempted breakthrough.

Mr Rabin told the Knesset he would not be swayed by what he said was an attempt to prove "that these terrorists are unprotected and should be pitied." He said the expulsions were part of a fight against Islamic extremists pledged to destroy the Middle East peace process. "Our hand that is stretched out for real peace is also the hand which will pull the trigger to hit murderers committing their crimes," he said.

Mr Rabin said he was convinced the peace negotiations would resume, despite a suspension of the talks by the Palestine Liberation Organisation. Yesterday in Tunis, the head of the Palestinian delegation, to the talks, Mr Faisal Husseini, said the immediate issue was securing the return of the deportees, not setting a date for renewed talks. He called for Mr Rabin to accept direct negotiations with the PLO, which it has hitherto rejected.

Beirut holds firm, Page 3

British government to cover part of bomb damage costs

By Richard Lapper and Ralph Atkins

THE UK government yesterday bowed to pressure from the insurance industry and agreed to meet part of the costs of bomb and other damage caused by terrorists in mainland Britain.

Business will also be required to make a substantial contribution under new arrangements, in a move which could sharply increase insurance costs for policyholders who opt to take out cover against terrorism.

The Corporation of London, for example, will see premiums on its £5bn ($7.6bn) portfolio of property double from its estimated present level of about £2m by the end of the year. Premiums in areas of the country deemed to be of lower risk may rise by as little as 10 per cent.

The government agreed to back the new scheme after resisting pressure to provide direct compensation to victims of bomb damage as it has done since 1969 in Northern Ireland.

Mr Michael Heseltine, trade and industry secretary, said the government had "decided in principle to act as reinsurer of last resort". He said the government's involvement would be of limited duration and cost and "should cause minimum interference necessary with the working of the market."

The announcement was widely welcomed. Mr Mike Jones, chief executive of the Association of British Insurers, said "I know from the support we have received that many people will be sleeping easier tonight".

Mr Michael Cassidy, chief executive at the Corporation of London, said he was "delighted" but that there was "obviously concern about the impact [of the cost] on City businesses".

Insurers announced last month that they would be unable to continue to offer cover against terrorism after their own reinsurers withdrew support in the wake of claims of £800m after bomb attacks in London in April.

Under the new arrangements, details of which are still being worked on, policyholders will be able to "buy back" cover for terrorism. These additional premiums will be channelled into a mutual pool to be reinsured by the government. The cost of the "buy back" will vary according to the sum insured and the location of the property.

Continued on Page 12
How it will work, Page 5

Hotline to lift EC border controls

By Andrew Hill in Brussels

FRUSTRATED about frontier controls? Piqued by passport checks? From January, Europeans can telephone a hotline to complain about remaining barriers to free movement around the European Community.

Euro Citizen Action Service, a Brussels-based lobby group for citizens' rights, yesterday launched a fax and telephone service which will field complaints that the EC has missed its January 1 deadline for ending passport checks at internal borders.

Ecas is running the service January 4-8 only, hoping to tap a supposed undercurrent of discontent about the failure of most countries to lift all internal border controls on people.

But the complaints hotline will undoubtedly not satisfy some free-travel proponents, who favour a more direct approach.

Some federalist members of the European Parliament are likely to test the legality of British resistance to lifting controls by crossing to Dover without a passport early in the new year in the hope of being turned away.

Ecas volunteers will tell callers of a more timid disposition how to lodge a formal complaint with the European Commission, and will compile a list of gripes which could be used in a European Court case against Brussels or individual EC governments.

Ecas also wants to encourage people to complain if they are deprived of information at borders about their rights.

At the Edinburgh summit 10 days ago leaders of the 12 Community countries admitted that free movement of people – one of the aims of the single market – could not be "completely assured" by January 1.

Nine Continental countries aim to lift internal controls at land frontiers by the middle of next year. But airports have been given until December 1 to end passport checks on internal EC flights.

Britain, Denmark and Ireland *may lighten passport controls* but are likely to retain some form of check at all internal borders beyond that date.

The Commission shares the

Continued on Page 12

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NEWS: INTERNATIONAL

EC strategy postponed until next year

Britain again blocks funding for HDTV

By Andrew Hill in Brussels

BRITAIN has again blocked European Community funding for the development of cinema-quality television, postponing an EC strategy on the new technology until next year.

Foreign ministers, meeting for the last time under the UK's EC presidency, were unable to resolve differences between Britain and its 11 EC partners, which exploded into a row after the recent Edinburgh summit.

Yesterday, Britain refused to commit itself to a European Commission compromise first discussed by Mr Jacques Delors, the Commission president, and Mr John Major, British prime minister, on their way to talks in the US at the weekend. The issue will now be taken up during the Danish presidency of the EC which begins in January.

The Commission has been pressing for a five-year "action plan" to promote wide-screen high-definition TV (HDTV) services in the EC. But the UK does not believe proposed funding of Ecu500m (£404.5m) over five years is justified: it says new technologies, such as digital television, are being developed which could supersede HDTV standards promoted by the EC.

According to yesterday's Commission proposals, the EC would allocate Ecu80m to the development of wide-screen HDTV services in 1993. The EC would also consider a report on the prospects for digital HDTV and a possible review of its strategy early next year. Britain supported elements of the compromise, but refused to commit itself in principle to a five-year plan.

The events of the past fortnight have revealed the amount of political and industrial capital invested in HDTV, with Mr Major accused of reneging on an agreement made at Edinburgh to lift the British veto on HDTV.

Mrs Hanja Maij-Weggen, Dutch telecommunications minister, a critic of the UK position, said yesterday she was disappointed by Britain's attitude. "Maybe next year the sky will be a little bluer."

Dutch aircraft crash kills at least 50

By Ronald van de Krol in Amsterdam

AT LEAST 50 people were killed when a DC-10 carrying 327 Dutch holidaymakers and 13 crew to Portugal crashed while trying to land in heavy rain and winds at the Algarve town of Faro.

The aircraft, operated by Martinair, a charter airline partly owned by KLM Royal Dutch Airlines and the Dutch transport group Nedlloyd, burst into flames and broke in two on impact.

Airport officials in Faro, the main city of Portugal's Algarve coastal region, said at least 50 people were known to have died, while 25 were missing.

Scores of injured passengers were taken to hospitals in Faro, Lisbon and Coimbra.

Most of the people on board were Dutch nationals.

In Amsterdam, airline officials said the cause of the crash was not known. First reports suggested the aircraft had been hit by lightning. The pilot is reported to have survived.

The "black box" containing flight data has been located and will be examined by Portuguese and Dutch investigators. Passengers interviewed by Dutch television said the pilot had made two attempts to land before the fatal approach.

The accident is the latest of a number of Dutch transport disasters and occurred less than three months after an El-Al cargo aircraft crashed into two apartment blocks on the outskirts of Amsterdam, killing 43 people.

Asked about the spate of transport accidents, Mrs Hanja Maij-Weggen, transport minister, said: "This has been a horrible year for me and my ministry. I sometimes feel as I've aged three years in the past three months."

Milosevic leads amid fraud calls

By Laura Silber in Belgrade

PROSPECTS for peace in Bosnia-Hercegovina and stability in the Balkans darkened yesterday as Serbian nationalists under President Slobodan Milosevic led presidential and parliamentary elections.

Despite scanty and conflicting reports of election returns, opposition leaders privately conceded that Serbian President Milosevic appeared to have a commanding lead in his bid for re-election. He looked set to surpass the 50.01 per cent required to avoid a run-off against Yugoslav Prime Minister Milan Panic, the wealthy Belgrade-born Californian.

The massive surge of electoral support for ultranationalism threatens Serbia's ethnic minorities, who make up one-third of the population of 9.8m. Ethnic Albanians, Hungarians and Moslems face even greater risk that "ethnic cleasing" will spread to Serbia.

If the trend of the preliminary and unofficial results continues, the Socialists (renamed Communists) with their ultranationalist allies, the Serbian Radical Party, will have a comfortable majority in the Serbian parliament. "Their lead makes remote the possibility of Milosevic leaving office without violence," said a diplomat.

Chosen by Mr Milosevic as his favourite "opposition politician", Mr Vojislav Seselj, president of the Radicals, also commands a party militia.

He has called for ethnic minorities and politically suspect Serbs to be expelled from Serbia. International human rights organisations have cited Mr Seselj for brutal crimes committed by his paramilitaries in Croatia and Bosnia. Early results project his party will gain 25-30 per cent of the 250 seats.

He is almost certain to be joined in parliament by Mr Zeljko Raznatovic, alias Arkan, a notorious Belgrade crime boss who commands a fierce paramilitary unit known as the Tigers. He was standing in the Serbian province of Kosovo, where Albanians who make up 93 per cent of the 2.1m population boycotted the poll. Mr Lawrence Eagleburger, US secretary of state, recently said that Mr Raznatovic and Mr Seselj should be tried before a proposed war crimes tribunal.

The apparent edge of the nationalists came amid mounting charges of election fraud and manipulation.

Mr Panic's office yesterday said it would demand a fresh election. Foreign observers have lambasted the campaign as grossly unfair, citing the role played by Television Serbia, which Mr Milosevic controls and Mr Seselj reportedly visits every day.

Mr Milosevic has whipped up fears that the west is conspiring against Serbia. His message of defiance, in conservative and increasingly isolated Serbia, has found fertile ground.

Independent observers met yesterday to decide if complaints of election irregularities constituted systematic fraud at the hands of Mr Milosevic's minions in local electoral commissions.

If the international community deems the election results legitimate, it has warned it will step up pressure on Serbia. US President George Bush and Britain's Prime Minister John Major agreed in Washington at the weekend to press for tougher sanctions to stop the war in Bosnia. But the mechanisms are limited.

In Belgrade, the Serbian and federal capital seen as an opposition stronghold, many feared their future in a Serbia controlled by nationalists certain to provoke a tougher response from the west.

This is likely to heighten xenophobia in Serbia, even among Serbs who oppose the Socialists.

THE ruling Socialist Democratic party kept its hold on Montenegro, unofficial results indicated yesterday, virtually guaranteeing its continued alliance with Serbia in a rump Yugoslavia, Reuter reports from Podgorica, Montenegro.

The vote in the republic, the last official ally of Serbia, was considered a referendum on the future of the Yugoslav federation. Election officials said they had not finished counting votes and refused to give interim results.

But Radio Montenegro said that in the capital, Podgorica, which has a quarter of the nation's 400,000 voters, the ruling DPS had taken 49 per cent of votes for the republic's parliament and the opposition Liberal party 11 per cent.

EC ministers fail to agree on haulage

EC TRANSPORT ministers failed yesterday to agree measures which would have given road haulage companies the right from next year to ply for trade in EC countries other than their own, writes **David Gardner in Brussels.**

The measure is a basic building block of the internal market, which starts on January 1, and hauliers facing cross-border barriers may now decide to seek redress through the European Court of Justice.

The main stumbling block was Germany which has linked a deal on road cabotage to satisfactory agreements on road user charges and the fiscal harmonisation of vehicle excise duties. EC diplomats were last night trying to extricate linked issues such as travel allowances on which a deal in principle has been reached.

Attack on MP hits Greek budget hopes

By Kerin Hope in Athens

A TERRORIST attack on a deputy from Greece's ruling New Democracy party has placed the government in an unprecedentedly awkward position for today's parliamentary vote on the 1993 budget.

New Democracy effectively lost its one-seat majority in the 300-member chamber yesterday after Mr Eleftherios Papadimitriou, a backbencher who sat on the parliamentary budget committee, was shot in the leg by a gunman who stopped the politician's car in an Athens suburb.

Mr Papadimitriou was reported to be in stable condition after surgery, but it was not clear whether he would be able to take part in the vote.

The attack was claimed by November 17, a left-wing Greek terrorist group which earlier this year tried to assassinate the finance minister. In a statement, the group said it was opposed to the government's privatisation policy.

Mr Constantine Mitsotakis, the prime minister, is already under pressure from prominent deputies who object to his efforts to introduce structural reform. He has tried to rally New Democracy by claiming the budget debate amounts to a vote of confidence in his government.

The mood among ND deputies has remained rebellious, with the government benches only sparsely occupied during the four-day debate. The budget provides for another year of wage restraints, with curbs on spending aimed at shrinking the public-sector deficit and cutting inflation from 15 to under 10 per cent by the end of 1993.

Owen clinches demilitarisation accord

EUROPEAN Community peace negotiator Lord Owen has hammered out a plan for demilitarising the besieged Bosnian capital of Sarajevo after four days of shuttle diplomacy among warring factions around the city, Reuter reports from Sarajevo.

"I think we've laid a framework for demilitarising Sarajevo... no doubt there will be many upsets and difficulties along the way, but we have agreed now on a structure," he said after nearly three hours of talks with Bosnian Serbs in Lukavica, near Sarajevo.

Lord Owen has persuaded Moslem, Serb and Croat factions to create four problem-solving working committees.

Among the issues to be addressed are demilitarising an area around Sarajevo airport, restoring utilities, creating joint police patrols in divided neighbourhoods and giving humanitarian aid

Each committee would co-ordinate its activities with an existing body known as the mixed military working group, Dr Owen said.

Local military commanders have often scuttled ceasefire agreements and blocked UN efforts to repair utilities and humanitarian aid convoys.

● UN relief workers restarted their airlift of emergency aid to Sarajevo yesterday after a three-week break caused by fighting.

A French riot policeman stands on burning Spanish tomatoes at the entrance to Saint-Charles market, near Perpignan, south-western France, yesterday. About 300 local farmers destroyed the tomatoes before taking two policemen hostage during demonstrations against vegetable imports, particularly from Spain

NEWS IN BRIEF

Honecker clemency call turned down

A COURT said yesterday that Mr Erich Honecker, the former East German leader, should be kept in jail and stand trial for manslaughter, despite medical reports showing he may die of liver cancer within six months, **Reuter reports from Berlin.**

The Berlin court rejected a motion to dismiss the case submitted by Mr Honecker's lawyers, who argued the 80-year-old hard-line communist would not survive the trial.

Mr Honecker and three senior East German communists are on trial for the deaths of more than 200 would-be defectors shot as they tried to cross the Berlin Wall to West Germany.

The judge said medical reports ordered by the court were unable to predict when Mr Honecker's illness would become too serious for him to take further part in proceedings

IFC criticised over dam

Environmental groups reacted with dismay yesterday at the decision of the International Finance Corporation, the World Bank's private sector arm, to finance a $500m hydroelectric dam on the upper reaches of Chile's biggest river, the Bio Bio, writes **Leslie Crawford in Santiago.**

The 450MW Pangue dam is scheduled to come on stream in 1997, when it will supply 12 per cent of Chile's total energy needs. It is being built by Endesa, a privatised utility.

The Bio Bio Action Group, a coalition of US and Chilean ecologists, said the IFC loan "violated all the World Bank's environmental guidelines".

It was particularly critical of the IFC's decision to back the project while studies on the downstream impact of the dam were pending.

In Washington, an IFC spokesman said the corporation was confident further work would mitigate the power station's effect on the water levels of the Bio Bio.

Italian inflation still falling

Italy's rate of inflation is still falling, despite the devaluation of the lira in September, writes **Robert Graham in Rome.**

According to preliminary figures for December based on evidence from the country's main cities, inflation is running at an annual rate of 4.7 per cent, the lowest level since October 1988.

Prices this month have risen 0.1 per cent, forcing the annual average down from November's 4.9 per cent.

Affluence on march in China

China's economic boom this year has forced officials to come up with a new definition for "well-off", reflecting climbing living standards across the country, **Reuter reports from Beijing.**

The official Xinhua news agency said yesterday the new state standard for well-off urban residents set annual per capita income at Yn2,380 ($410) and the average life span at 70 years

The average well-off urban resident would have at least nine years of schooling and a paid two-week vacation every year

In rural areas, the average well-off person would make a per capita income of Yn1,100, spend Yn70 a year on clothes, own a television and live in a village with at least one telephone.

Xinhua said that some 57 per cent of Chinese people already qualified as well off.

E Timor crackdown continues

The Indonesian army has arrested at least 80 people in the disputed territory of East Timor since mid-November in a continuing military crackdown, the Sydney office of Amnesty International, the human rights group, said yesterday, writes **William Keeling in Jakarta.**

Amnesty said it had unsubstantiated reports of a further 650 arrests and that "serious human rights violations, including arbitrary arrest, torture, disappearance and possible extrajudicial execution, have accompanied the recent crackdown".

Ten die in Kabul attack

Three shells slammed into a crowded bazaar in Kabul yesterday, killing at least 10 people and wounding 16, while delegates to an assembly to elect a new Afghan president were meeting nearby, **Reuter reports from Kabul.**

The attack was one of the worst since fighting last August between the army and a maverick mujahideen party.

Russia set to bring in its own currency

By Leyla Boulton in Moscow

RUSSIA was said yesterday to be on the verge of introducing its own currency, a move which would force all other republics to introduce their own and deprive them of direct influence over Moscow's monetary policy.

At the same time, however, Mr Valerian Kulikov, central bank deputy chairman, outlined, in an interview with Izvestia newspaper, a shift in credit and finance policies which would weaken whatever currency replaces the old Soviet rouble.

"We will correct the policy of the central bank in accordance with the government line announced by the new prime minister," he said, referring to Mr Viktor Chernomyrdin's promise to stem a fall in industrial output and wipe out the debts accumulated by state-owned enterprises.

New measures included negative annual interest rates of 3-10 per cent for central bank loans for investment in industry and, apart from introducing new tax benefits, even waiving reserve requirements for commercial banks which lend to priority sectors, such as consumer goods.

● Social security minister Ella Pamfilova has offered to leave the Russian government, the first member of the former acting prime minister Yegor Gaidar's cabinet to do so, Interfax news agency said yesterday, Reuter adds from Moscow.

Ice-cream makers' tied trade likely to be suspended

THE European Commission is expected tomorrow to order Langnese-Iglo and Schöller Lebensmittel, Germany's two largest ice-cream makers, to suspend for five years arrangements which oblige many German retail outlets to sell only the two companies' products, writes **Guy de Jonquières, Consumer Industries Editor.**

The Commission's competition directorate, which has been investigating the arrangements for nine months, has concluded that they violate Article 85 of the Rome Treaty, which outlaws restrictive trade practices.

The expected decision would be a victory for Mars, the US food group which has for more than two years waged a legal campaign to open more European distribution channels for its ice-cream bars.

It also emerged yesterday that the British Office of Fair Trading is inquiring into the legality of arrangements whereby ice-cream manufacturers supply freezer cabinets to retailers on condition they are not used to stock competing products.

The OFT began its inquiry in September, following complaints from Mars and other companies. These were directed principally against Wall's, part of the Anglo-Dutch Unilever group, which is Europe's biggest ice-cream maker and owner of Langnese.

The OFT has sought information from all the main suppliers of ice-cream in Britain, but has yet to decide whether to open a formal investigation.

In March the Commission ordered Langnese and Schöller to lift until the end of the year their exclusive outlet arrangements in Germany, pending an inquiry.

The Commission said the arrangements would cause Mars "serious and irreparable damage" by excluding it from the German market.

Paris acts on jobless pay

THE French government yesterday agreed to help bail out the Unedic unemployment pay system, run jointly by employers and unions, from its impending bankruptcy, writes **David Buchan in Paris.**

After a meeting with Prime Minister Pierre Bérégovoy, when both employers and unions accused the state of shirking its responsibilities, the government agreed to shoulder more of the cost of early retirements and of dole for people coming off temporary state-run employment schemes, and to subsidise the interest rate on Unedic's borrowings.

EC flight of fancy over reindeer aid

By David Gardner in Brussels

REFLECTING the spirit of "openness" and subsidiarity at the Edinburgh summit of EC leaders earlier this month, the European Commission is expected this week to turn a blind eye to illegal Danish state aid to a Scandinavian co-operative supplying reindeer.

At the Commission meeting this week, its last before a new Brussels executive takes office in January, the regional aid scheme, known by the acronym Yule, is almost certain to get through, even though it has never been notified to the Commission as required under EC law.

The aid is an annual grant to S. Claus Ltd, headquartered in Lapland, Finland, and is worth DKr167 (£17.7) per reindeer, subject to a limit of 25 animals per individual producer. The Commission was concerned that the aid reinforced the company's downstream activities, bolstering a potentially dominant position in the Christmas gift market.

According to documents on the case, prepared by staff of the controversial outgoing farm commissioner Ray MacSharry, the reindeer aid has sparked the now familiar dispute between the Brussels competition and industry directorates about what constitutes the relevant market in which to judge a dominant position.

The free marketeers, headed by Sir Leon Brittan, UK competition commissioner, say S. Claus has 64.7 per cent of the EC gift market.

The interventionists, led by Mr Martin Bangemann, German industry commissioner, say, in a replay of their arguments over the De Havilland case, that "the relevant market should be defined in terms which include also the birthday gift market, as well as the Father's Day, Mother's Day, secretary's day, Easter egg and tooth fairy segments of the market."

The salient points in opinion to be laid before the Commission, however, suggest most commissioners will endorse the aid. This is because:

● "Operators throughout the Community are among [S. Claus Ltd's] downstream beneficiaries";

● The European Court of Justice ruling 72/79 (Commission vs the Gift Horse) found that "in assessing the real value of non-repayable aid it is the thought that counts";

● The court "endorsed the application of the private-market investor principle to cases of non-repayable handouts in its judgment in Case 140/1867 (Scrooge vs Tiny Tim)";

● The Commission has taken note of assurances from the Danish authorities that there is no intra-Community trade in reindeer, and that "the downstream effect of the aid will be available on a non-discriminatory basis throughout the Community".

But a satisfactory outcome may yet fall foul of the Brussels legal service, whose submission raises doubts about the status of S. Claus Ltd. Their opinion submits that there may be "no precedent for opening the Article 93(2) procedure in respect of a company which is no more than a figment of people's imagination. They consider, however, that this point can be overcome by careful drafting of the letter to the Danish authorities".

A further problem is grudging and conditional support from the external affairs directorate, where Sir Leon wants to establish a dominant position for himself in the next Commission. In a separate memo, they say: "The proposal should be made by Sir Leon Brittan, whose impartiality is beyond any doubt... and who is known not to give free gifts".

"AND THIS IS OUR REINDEER MOUNTAIN."

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World trade talks in 'race against time'

By David Dodwell in Geneva

COMMITMENTS by the US and EC to conclude a Uruguay Round trade deal by mid-January will require endorsement from US President-elect Bill Clinton, trade negotiators said in Geneva yesterday.

They said President George Bush and British prime minister Mr John Major, while making an honest attempt to achieve a conclusion, had failed to take note of the time needed to win agreement from the other 106 countries negotiating the round.

One senior US official insisted that while negotiators remained ready to settle the Uruguay Round, which has made faltering progress for the past six years, the obstacles remained at a political level back in national capitals: "I don't see any change in circumstances between last week and Christmas that are likely to make a mid-January conclusion possible."

Another official argued that Gatt negotiators "could not see the outgoing Bush administration being able to make the sort of concessions that would make an agreement possible."

Mr Clinton has still to name his senior trade negotiator, though it is assumed he will this week.

A senior EC official, who argued that with the right political impetus from Washington and Brussels the EC and the US could settle outstanding differences, insisted that neither President Bush nor Mr Major had taken proper account at the weekend of the views of other countries negotiating the Uruguay Round: "We are not living in a world where the US and the EC can assume a deal can be rubber-stamped by others. At the very least, they will have to do some work on the issues back in their own capitals.

"President Bush and Mr Major have made an honest attempt to achieve a conclusion, but have underestimated the resistance of the multilateral system."

The comments follow a rather gloomy top-level stock-taking meeting at the end of last week, at which Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, brought talks to an inconclusive halt ahead of Christmas, commenting that "now, more than ever, we are engaged in a race against time." He called for a further "stock-taking" meeting on January 15, which would keep pressure on negotiators, and test the authority of this weekend's commitments from Washington.

Many countries represented at the meeting voiced frustration at slow progress in recent weeks. Others criticised the US for demanding that a number of issues – including anti-dumping rules and proposals for protection of intellectual property – be reopened.

Battle in Algerian town

ALGERIAN troops have fought a nine-hour battle with gunmen in a Moslem fundamentalist stronghold near Algiers, the official news agency APS said yesterday, Reuter reports from Algiers.

No casualty figures were immediately available but APS reported "deaths and wounded" in the operation in the town of Blida on Sunday night and said "an important armed group had reportedly been neutralised."

The authorities have recently stepped up their battle to crush Islamic fundamentalists, blamed for killing about 200 members of the security forces since last February.

Last week, troops killed 13 fundamentalists in a sweep of mountains near Algiers and in two eastern suburbs.

Old Brazil also faces impeachment

Christina Lamb reports on the political old guard being shaken out with Collor

Collor: senate trial today

AS THE impeachment process of Brazil's suspended President Fernando Collor reaches its climax today with a trial in the senate, many politicians present will be reflecting on their own futures.

The scandal, in which Mr Collor is implicated in a multi-million-dollar corruption network, has led to a more radical political shake-up than the end of military rule in 1985, and few of the old guard have been spared in the fallout.

Not only is there uncertainty over what will emerge from a referendum on the political system next April, but almost all leading contenders for the 1994 elections and traditional power brokers are on the wane, discredited by association with Mr Collor or personal entanglements with corruption.

Mr Collor's fate will be determined today by the country's 81 senators in a marathon 16-hour session presided over by the head of the supreme court. A two-thirds vote – 54 senators – is needed to impeach him. Mr Collor spent yesterday closeted with lawyers deciding whether to appear personally to defend himself.

The suspense gripping the capital on the eve of the judgment was heightened by claims of senators that they had received anonymous death threats warning them against voting for impeachment. Added to that was the news that Mr Paulo Cesar Farias, Mr Collor's alleged front-man, had fled the country with his family in his private jet to Seville. Mr Mauricio Correa, the justice minister, has ordered a police investigation.

While the Collor scandal has not stopped corruption it has made it harder for corrupt politicians to be elected and has devalued the old Brazilian adage *rouba mas faz* – he steals but he gets things done. Congress now has access to bank records and impunity is no longer guaranteed.

Mr Bolivar Lamounier, a political scientist from the São Paulo Institute of Socio-Economic Studies, says: "This is a historic moment in Brazilian politics. We have a chance that comes perhaps once a century to completely reform the system and to allow a new generation of politicians to emerge, less wedded to the old ways."

A citizens' action group has been formed to call for the impeachment of all senators and congressmen on the basis that all Brazil's politicians are corrupt.

Leading presidential hopeful Mr Orestes Quercia, 54-year-old leader of the centrist Democratic Movement, Brazil's largest party, was the obvious next target. A man of humble beginnings, he now has a bulging campaign chest and a personal fortune estimated by investigative magazine Veja at $52m. His increases in wealth coincided with spells in office, particularly as governor of São Paulo, Brazil's richest state, from 1986 to 1990.

For the past two months, Mr Quercia has been embroiled in a damaging controversy surrounding his authorisation of a $330m purchase of Israeli equipment at inflated prices and the privatisation of Vasp, the São Paulo state airline.

His protégé, Mr Luis Antonio Fleury, the current governor of São Paulo, is also in disgrace for the mishandling of a recent prison riot in which 111 inmates were massacred by state police.

> The scandal has led to a more radical shake-up than the end of military rule in 1985

All those linked to the Collor camp have paid dearly for their loyalty. Mr Antonio Carlos Magalhaes, 65-year-old governor of Bahia and long-time "godfather" of the Brazilian political scene, has lost his influence since failing to support impeachment.

Mr Leonel Brizola, 70-year-old firebrand populist and governor of Rio, has seen his grip over Rio slip so much that his candidate in the recent elections for mayor failed even to make it to the run-off. He faces open mutiny from his own state police, who last week arrested his daughter for alleged cocaine possession.

Tragedy has also played a part. Within days of the impeachment vote, Mr Ulysses Guimarães, the grand old man of Brazilian politics, died in a helicopter accident after 44 years as a congressman.

One of the younger generation to move to the forefront with the fall of the old guard is 43-year-old Tasso Jereissati, leader of the Social Democrats. Widely respected for his work as governor of the poverty-stricken state of Ceara, Mr Jereissati says: "I hope as a result of the Collor experience we will now have a more rational succession of power based not on charismatic leaders or messianic speeches but on programmes and administrative capability."

Municipal elections last month showed that the main beneficiary has been the left, the Workers' Party taking four state capitals. Mr Luís Inácio da Silva, its leader and near winner in the last presidential elections, is the only leading political figure untainted by corruption and events of this year, and many businessmen are now ordering assessments of the likely actions of a left-wing government.

On the other side of the spectrum the elections also saw the spectacular re-emergence of Mr Paulo Maluf, the authoritarian former governor of São Paulo and leader of the right-wing Democratic Social Party. Easily elected mayor of São Paulo, he has become the main focus of conservative forces.

Much now rests on the referendum in April. The Collor scandal is thought to have discredited presidentialism, particularly as only one civilian president has completed his mandate in the last 67 years, and shifted the focus of political aspiration to more parliamentary politics.

Rao survives crucial vote on Ayodhya

By Stefan Wagstyl and Shiraz Sidhva in New Delhi

MR P.V. Narasimha Rao, India's prime minister, yesterday survived a parliamentary no-confidence vote called over his handling of the Ayodhya mosque crisis.

The militant Hindu Bharatiya Janata Party, the main opposition party which organised the rally at which the mosque was destroyed, failed to persuade other political groupings to support its call for the prime minister's resignation. MPs of the ruling Congress (I) party and its left-wing allies rallied around Mr Rao.

The no-confidence motion against the government, put to the vote after a noisy four-day debate, was defeated 334-106, with 47 members of the National Front abstaining.

Congress MPs were generally unimpressed by the prime minister's performance in the debate, in which he denied the government had failed to do enough to protect the mosque from destruction by Hindu militants. Mr Inderjit Gupta, a Congress party member, publicly criticised Mr Rao during the debate over the arrest of Mr L.K. Advani, the BJP leader and leader of the opposition, who is being held in police custody on charges of fomenting inter-racial hatred.

Some Congress members voiced their doubts privately, saying the prime minister had said nothing about the proposed rebuilding of the mosque and the future of the makeshift Hindu temple erected by militants on the disputed site.

MPs felt Mr Rao had done enough to quell any immediate attempts to unseat his government but had failed to reimpose his authority on the party. Such lukewarm support for the prime minister could hamper his efforts to implement firm policies to cope with the aftermath of the Ayodhya crisis and with other challenges, including the future of the country's economic liberalisation programme.

Mr Rao described the demolition of the Ayodhya mosque as a tragedy, an act of betrayal and vandalism. The destruction had been pre-planned, he claimed. Mr Rao announced increased compensation for the families of the 1,200 people killed in the nationwide riots after the mosque's destruction. He urged restraint on the use of religion in parties' electoral platforms, a clear reference to the BJP's espousal of Hinduism, though he did not name the party.

Failure of the no-confidence motion had been expected. Shares rose sharply yesterday after two weeks' sharp decline. The Bombay Stock Exchange's 30-share index soared 65.21 points to 2,542.10.

● Mr C. Rangarajan yesterday took over as governor of the Reserve Bank of India from Mr S. Venkitaraman, whose two-year term was clouded by the Bombay securities market scandal. The bank was widely criticised over its supervision of the market. Mr Rangarajan was deputy governor of the bank for 10 years.

Bank lending curbs hit money supply

By Robert Thomson

JAPAN'S money supply in November contracted 0.5 per cent from the same month last year, reflecting the impact of curbs on new lending by the country's banks, which are burdened by non-performing loans.

The contraction of M2 plus certificates of deposit followed a fall of 0.6 per cent in October and marked the third straight month of year-on-year decline, prompting Japanese business organisations to call for an easing of lending restrictions.

However, the Bank of Japan argues that the contraction is due more to weak demand for new lending than to the banks' inability to lend. The bank said money supply growth was likely to return soon, as the October contraction appeared to have been the turning point.

The bank prefers to judge trends from the broadest measure of liquidity, which includes postal savings funds, and which grew by 2.6 per cent in November, compared to a year earlier, down from 2.7 per cent growth in October.

Money supply growth has slowed sharply over the past two years.

In October 1990, broad money expanded 11.8 per cent on a year earlier, but the growth fell in virtually every month until September, when it contracted 0.4 per cent.

Rhône-Poulenc in plant agreement with Chinese

By William Dawkins in Paris

RHONE-POULENC, France's leading chemicals group, has reached a co-operation agreement with the Chinese government to build and operate two plants with local partners, and to license technology there.

This is Rhône-Poulenc's first industrial investment in China, where it plans to supply the fast-growing textiles industry with artifical fibres.

The largest plant, requiring an investment of up to FFr1bn (£120m) in north-east China, is expected to start producing nylon salt (granulates which turn into nylon when heated) in about three years, in partnership with Sinopec, a Chinese state-owned group.

A smaller plant, to produce high-performance plastics, is scheduled to open in two years near Shanghai, according to Mr Michel Maupu, Rhône-Poulenc's vice-president in charge of fibres and polymers.

The licensing deal covers technology for producing nylon salt, to a Chinese-owned company being set up in the central province of Henan for that purpose.

The French group has been selling nylon salt to China for 18 years and now exports FFr700m-worth annually there. It expects Chinese production of synthetic fibres to grow from 1.65m tonnes in 1990 to 2.8m tonnes a year by the end of the decade, as more textile and tyre production shifts to low-labour-cost countries.

Position in Caribbean holds great promise for export earnings, says Washington think tank

End of US embargo 'would revive Cuba'

By George Graham in Washington

CUBA'S exports could recover quickly and strongly as soon as a market economy was introduced and the US trade embargo lifted, according to a study under way by the Centre for Strategic and International Studies, a leading Washington think tank.

Mr Ernest Preeg, former chief economist of the US Agency for International Development and author of the CSIS study, says Cuba has suffered terribly from the cut-off in Soviet aid, which has reduced the island state's imports from $8bn in 1989 to $2.2bn in 1992.

This has caused food and fuel shortages, but Mr Preeg says the most damaging effect may be the strangling of machinery imports, which is causing a cumulative crumbling of the Cuban industrial base.

Market reforms and a lifting of the US embargo could lead to a sharp revival in export earnings, with little of the disruption that has accompanied such reforms in eastern Europe and the former Soviet Union.

Tourism receipts and remittances from Cuban exiles, in particular, could start to flow very quickly, Mr Preeg says, but Cuba's position in the Caribbean basin holds great promise for earnings from other agricultural exports as well as from assembly-type manufacturing.

Citrus exports, for example, could take off because Cuba has good trees, and needs just one year's pesticides to upgrade its fruit from the lowest concentrate quality to juice or even fresh fruit quality.

Mr Preeg warns that the US should not lift its embargo without human rights and democratic reforms, since the end of the embargo alone would give the Castro government between $800m and $1.1bn a year of additional foreign exchange inflows, mostly from tourism and remittances.

However, he argues for a more active American diplomatic approach towards Cuba, with the development of both carrots and sticks.

Critics of the US's Cuban policy complain that severe damage could be done to Cuba's economic and social structures while Washington waits for the Castro government to collapse.

Neither the Clinton administration nor the new Congress, however, is likely to favour loosening the embargo.

● State television in Havana claimed a high turnout in local government elections held on Sunday, news agencies report. By mid-afternoon, nearly 94 per cent of the island's 7.5m registered voters were said to have voted.

In the week leading up to the poll, the authorities launched a crackdown against dissidents who said the elections left no room for opponents of one-party Communist rule.

Voters in 13,865 constituencies in the election chose one municipal assembly representative. The elections were the first stage of a new electoral process which culminate in direct, parliamentary elections on February 24 within Cuba's one-party system.

Tired US Marines at Mogadishu airport yesterday take a last-minute nap as they wait to board a transport aircraft bound for the famine-stricken interior of Somalia

French troops wound gunmen in Somalia

FRENCH troops wounded at least three gunmen when they came under attack in southern Somalia, a French military spokesman said yesterday, Reuter reports from Mogadishu.

Ten gunmen in a "technical" battlewagon charged towards the French soldiers' observation post near the town of Baidoa on Sunday night, Col Jean-Paul Perruche said. The troops opened fire.

The three Somalis, found with automatic rifles, were taken to hospital, one with severe stomach wounds. No French soldiers were hurt and the other gunmen fled.

The clash highlighted continued insecurity in Somalia, where US-led forces have intervened to keep pillaging gunmen and feuding clan militias away from food for victims of Africa's worst famine this century.

Relief agencies put pressure on the US military yesterday to extend their security umbrella to north Mogadishu, nominally controlled by warlord Ali Mahdi Mohamed.

"It's teeming with AK-47s and with technicals," Mr Mark Thomas, spokesman for the UN Children's Fund, said. "Any military presence at all would help, as long as it is a show of force. They said it would happen soon but would give us no definite date."

US troops who secured Mogadishu port and airport at the start of Operation Restore Hope on December 9 have escorted food convoys across the Green Line dividing the capital, but do not operate patrols in the north. Relief agencies have withdrawn almost all foreign staff from the enclave because of the insecurity.

US Marines and their coalition allies have set up bridgeheads for the relief operation in Baidoa and at a military airfield in Bali Dogle. On Sunday they entered the southern port of Kismayu.

Europe has new trade zone

By Christopher Bobinski in Warsaw

POLAND, Hungary, Slovakia and the Czech Republic yesterday established a regional trading zone designed gradually to eliminate tariff barriers by the end of the century and ensure compatibility with the European Community and countries of the European Free Trade Area.

Tariffs on agricultural and industrial goods are to be reduced between 1995 and 1997 while barriers to trade in other more sensitive categories such as cars, textiles and steel are to be scrapped by 2001.

The signing in Krakow yesterday was greeted with relief, given the tension between Hungary and Slovakia over the Danube dam and the "divorce" of Slovaks and Czechs at the beginning of 1993.

At one point, the Hungarians had wanted a bilateral free trade pact with the Poles. The Czechs stressed their free trade credentials and their differences with the Slovaks by pressing for a shortening to four years of the period in which tariffs are to be reduced.

The Slovaks wanted to lengthen the time frame to eight years. In the end, the agreement which scraps tariffs on raw materials and goods where exports do not compete directly with locally-produced items, on March 31 1993, is accompanied by a declaration committing the signatories to start new talks on eliminating tariff barriers within five years.

Lebanon 'will not be a dumping ground for Israeli problems' says prime minister

Beirut refuses to give way over deportees

By Lara Marlowe and Reuter in Beirut

ISRAEL'S expulsion of 415 Palestinians has inspired widespread sympathy for them in the Lebanon, but the government in Beirut is none the less determined that it will no longer be an unwilling accomplice in such actions.

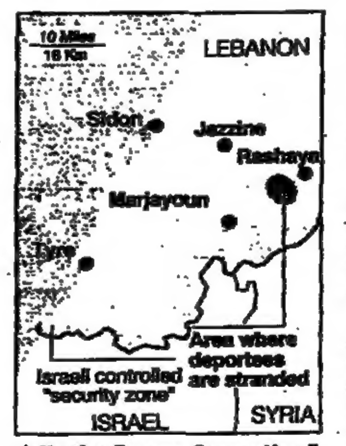
Mr Rafik Hariri, the Lebanese prime minister, said that Lebanon "will not be a dumping ground for Israeli problems". Sixty-six Palestinians have been deported to Lebanon in the past five years, and Lebanon has never before refused to receive them.

However, the government yesterday issued a communiqué saying the Lebanese army had instructed the 415 deportees to "go back where they came from". It noted that humanitarian organisations had been ordered "to stop all assistance to the area where the deportees are located".

The deportees had set up a makeshift camp in no-man's land in south-eastern Lebanon. Reporters at the scene said the South Lebanon Army fired around the deportees and over their heads as they attempted to return to Israel and came within several hundred yards of the SLA positions at Zemraya on the edge of Israel's Lebanese "security zone". Two Palestinians were wounded and taken to hospital in the Lebanese government-controlled village of Rashaya.

Israeli prime minister Yitzak Rabin claims the 415 men are now Lebanon's responsibility, but Mr Hariri firmly rejected liability for their well-being.

"I feel sorry for the difficult and inhuman conditions under which the deported Palestinians are living," Mr Hariri said. "But the position of the Lebanese government has not changed. The Israeli government continues to bear the responsibility for this decision which is contrary to the principles of international laws, especially the Geneva Convention."



Asked whether Lebanon intended to participate in Middle East peace talks when they resume after US President-elect Bill Clinton is inaugurated on January 20, even if the 415 Palestinians were still trapped in their camp, Mr Hariri indicated it would.

"We have to discuss this matter in the council of ministers, but as a principle we don't see why we will not continue the peace talks," he said.

The Lebanese government was in some disarray over the order yesterday that the deportees should move south.

An official told Reuters news agency: "The orders by a (Lebanese) army unit to the deportees to return to the Israeli-held area is not an official stand by Lebanon."

But Mr Mohsen Dalloul, defence minister, said Lebanon would "use pressure" if necessary to stop the deportees from entering government-controlled areas – and it would send them back to Israeli-held areas if it could.

Mr Michel Samaha, information minister, said Lebanon was not responsible for the deportees because they were in an area not controlled by the Beirut government.

"The Lebanese government is not responsible in any way for the deported brothers as their present location is outside the geographic context in which the Lebanese state practises its sovereignty," he said after a meeting with the prime minister, defence minister and and Gen Emile Lahoud, army chief.

What has helped the government, however, is the support of the deportees themselves. The Lebanese army officer commanding some 60 troops just north of the deportee's encampment, Maj Omar Halaby, was applauded by the Palestinians when he told them to return to the Israeli-occupied zone of southern Lebanon yesterday.

The Lebanese foreign minister, Mr Fares Bweiz, criticised UN Security Council resolution 799 for failing to include sanctions against Israel.

"The international community must realise that its credibility is at stake if it remains silent in this affair, which resembles Nazi practices during the second world war, Mr Bweiz said."

US warns China on HK deals

US commerce secretary Barbara Franklin told China yesterday not to invalidate contracts in Hong Kong as part of Beijing's war-of-words on wider democracy in the British colony's final five years, Reuter reports from Hong Kong.

Washington would protect US companies if Beijing's promised voiding of contracts stood to harm US interests after Hong Kong's transition to Chinese sovereignty in 1997, Ms Franklin said.

"Recent statements by the Chinese have placed in doubt the continuity of certain Hong Kong contracts signed prior to 1997," she told the local American Chamber of Commerce after a three-day visit to China.

China sparked a 17 per cent plunge in the Hong Kong stock market with threats to disavow the Sino-British Joint Declaration on Hong Kong's handover and to tear up Hong Kong contracts not to its liking after 1997.

Flawed Kenya poll is set to resolve little

Michael Holman and **Julian Ozanne** warn of grave consequences if election is not judged 'free'

THE carload of government supporters careered down Nyeri's main street, loudspeaker blaring election slogans, occupants waving posters adorned with a cockerel, symbol of Kenya's ruling party, Kanu.

It was a forlorn gesture of defiance. Nyeri, centre of a rich agricultural region and home to the disgruntled Kikuyu tribe, will declare for the opposition in elections next Tuesday, the first multi-party poll for 26 years.

But when overall results are declared, Kanu and its leader, President Daniel arap Moi, may well have cause to crow.

The combination of an efficient party machine, a core of support based on an alliance of ethnic minorities and what are politely termed election "irregularities" make it possible now that Kanu will slide home with the most seats in the 188-member parliament and Mr Moi may win the presidential poll, largely by default.

A year ago this prospect would have been almost inconceivable. Since then the opposition forces have fragmented and Kanu has been able to exploit this division.

But this alone might not have been enough to return Kanu to power after the past decade of autocracy and corruption, and the ruling party has taken no chances.

Election observers already concede privately that government manipulation has seriously flawed the election process. They say the government and the ruling party – a distinction without a difference – have influenced the outcome in four main ways.

● Voters' rolls in at least 20 constituencies were given a Kanu bias through the registering of party supporters bussed in from elsewhere.

● Opposition parliamentary candidates, some planted by Kanu, have been offered bribes to stand down. At least 22 have withdrawn so far.

● Opposition candidates were prevented from submitting nomination papers in 17 constituencies, leaving Kanu candidates unopposed.

Efficient party machine, ethnic alliances and electoral 'irregularities' favour President Moi and ruling party

● State resources – ranging from government funds to vehicles and civil servants, radio and television – have been deployed in Kanu's cause.

The consequences of failure to meet the criteria of "free and fair" are grave. Aid flows, suspended a year ago, will stay frozen, and the stability of what would be an unrepresentative government will be fragile.

Without the government weighting the deck in its favour, political observers say, the election would have been a closer-run affair. Disillusionment with Kanu under Mr Moi among the three largest tribes – the Kikuyu, the Luo and the Luhya – paved the way for a possible opposition victory.

Leading the challenge is the Democratic Party of Mr Mwai Kibaki, former finance minister and vice president. Running second is Ford Kenya, under Mr Oginga Odinga, the 85-year-old veteran politician; and in third place is Ford Asili, headed by former minister and businessman Mr Ken Matiba.

At least three of Kenya's eight provinces have largely deserted Mr Moi and Kanu – Central, Nyanza and Nairobi. The stronghold of opposition is in the densely populated Central province, home of the large and wealthy Kikuyu tribe, which forms about 21 per cent of Kenya's 25m population.

All-powerful under the late President Jomo Kenyatta, they today feel alienated and marginalised by President Moi's 14-year rule. All 25 constituencies are likely to fall to opposition parties, mainly to the DP, whose leadership is predominantly Kikuyu. The rest will be split between Ford Kenya and Ford Asili – most going to the latter, thanks to Mr Matiba's strong presence in his home district of Murang'a.

Most of the 29 seats in Nyanza province are expected to fall to Ford Kenya; Kanu's best chances are in Kisii district, where Mr Simon Nyachae, the influential former cabinet secretary, is leading the party's campaign.

Nyanza, a fertile sugar cotton and rice province bordering Lake Victoria, is home to Mr Odinga's Luo tribe, 13 per cent of the population. They are deeply embittered by the murder two years ago of their kinsman, Mr Robert Ouko, the former foreign minister. There are suspicions of high-level government involvement in his death.

In Nairobi, where Luos and Kikuyus make up a majority of the capital's population, most if not all the eight seats are expected to fall to the opposition.

Mr Moi and Kanu are strongest in the Rift Valley province, home to about 30 per cent of the electorate and with 44 seats at stake. The province is home to Mr Moi's Kalenjin tribe (11 per cent) and other minority ethnic groups such as the nomadic Turkana, Samburu, Maasai and Pokot, who will turn out solidly for Kanu.

In Eastern Province the DP is a strong contender for the 32 seats at stake. Kanu's best chances lie in the arid northern districts of Isiolo and Marsabit, containing six seats.

In the 20 constituencies in Coastal province at least half the seats are expected to fall to the opposition, mainly to Ford Kenya, benefiting from an informal alliance with the banned Islamic Party of Kenya. The IPK represents the disgruntled local Moslem population, who accuse the government of being dominated by inland tribes.

Western Province's 20 seats are likely to be split between Kanu and the main opposition parties. A key figure is Mr Martin Shikuku of Ford Asili, expected to win support of his Luhya tribe (14 per cent.)

The wild and virtually sealed off North Eastern province, with 10 seats, is a mystery. Its population, Somali in origin, are resentful about a government ethnic screening exercise last year, but Kanu is the only party with a presence.

Opposition parties have already warned about the prospect of serious unrest, even civil war, if Kanu clings to power unfairly. In the slums of Nairobi, Nakuru and Kisumu, hundreds of thousands of urban poor with nothing to lose are a powder keg waiting to be lit.

Britain rejects EC poll reform

By Ralph Atkins

BRITAIN will retain the "first past the post" voting system for the European elections in June 1994, Mr John Major, has decided.

The prime minister said yesterday he would not follow other European Community countries, all of which use some form of proportional representation for electing members of the European Parliament.

Under the British system voters within a constituency have one vote. A simple majority gives the parliamentary seat to the winner.

Mr Major's comments ended speculation that the decision at the European summit in Edinburgh to give Britain six more MEPs would lead to electoral reform. Northern Ireland's MEPs are already elected by proportional representation.

It had been proposed that the extra seats could be added by turning existing European constituencies into multi-member seats.

Confusion remains over how the six seats will be allocated. The 1978 European Parliamentary Elections Act made no provision for a review and changes would need legislation.

The Boundary Commission is preoccupied with re-drawing seats for the House of Commons in time for the next general election. One option would be for the home secretary, to set up a special ad-hoc committee to make arrangements in time for the 1994 European elections.

Mr Major said he could see the "superficial equity" of bringing the electoral systems used by all EC countries into line. But he added: "Our tradition in this country is to maintain a direct relationship between the elected member and an individual constituency and that tends to argue for the 'first past the post' system. I don't myself imagine that we are likely to change that."

The European parliament has repeatedly called on the European Council of ministers to agree a common electoral system. All countries and the European Commission have agreed that uniformity would be desirable. But there has been stalemate in talks on what system to adopt.

Prime minister rules out immediate cabinet reshuffle, safeguarding Lamont's position

Major backs measures to help industry

By Philip Stephens, Political Editor

MR JOHN MAJOR gave a clear signal yesterday that a package of measures to underpin industrial investment will be at the centre of the next Budget in March.

He confirmed also that Mr Norman Lamont was not about to be moved from his post as chancellor of the exchequer.

In an effort to end the speculation about Mr Lamont's future, the prime minister ruled out an early cabinet reshuffle. Returning from a trip to Washington he told BBC Radio that he was ready to make ministerial changes "as and when" it was necessary. But he added: "I am not anticipating a January reshuffle".

His comments were interpreted in government circles as signalling that despite the prospect of a critical House of Commons report on his handling of his personal finances, Mr Lamont's position at the Treasury is secure until the summer.

But the prime minister accompanied his support for the chancellor with a clear signal that he intends to take an active role in shaping the contents of the March Budget.

He said that his first priority in 1993 was "to ensure that companies have the confidence to invest". Capital investment was the key both to medium term growth and prosperity and to short-term job creation.

Voicing hopes that the international environment would allow him to focus much more of his attention on his domestic agenda in 1993, Mr Major added: "I do see it as a year in which we begin to recreate the confidence, the growth and the prosperity of British industry and commerce."

UK economic performance improved marginally in the third quarter, although figures released yesterday indicated most areas of activity were flat. The Central Statistical Office said gross domestic product grew by a seasonally adjusted 0.1 per cent in inflation-adjusted terms between *the second and third quarters* compared with its announcement last month of unchanged third quarter GDP. Excluding oil and gas output, GDP fell 0.2 per cent compared with 0.3 per cent reported earlier.

Mr Major wants the next Budget to build on the investment incentives in last month's Autumn Statement, which temporarily raised capital allowances for spending on industrial plant, machinery and buildings. He will also press the Treasury to increase the scope for private and public sector partnerships in large-scale infrastructure projects.

Government officials acknowledge there will be no scope for net reductions in taxation in March. Ministers have *not ruled out the possibility of* an overall increase in taxation. But Mr Major is determined that the government should follow through on its recent commitment to a revival of manufacturing industry by extending tax incentives.

He wants Mr Lamont to consider also special help for small businesses, the worst affected victims of the recession, and for exporters facing increasingly tough world markets. Mr Major has given his full backing to Mr Michael Heseltine, trade and industry secretary, in his efforts to change the "culture" in government in support of industry.

Mr Lamont and his fellow Treasury ministers will not map out their strategy for the Budget until their traditional meeting on January 9.

Because of the introduction at the end of 1993 of a unified *budget embracing spending as* well as taxation, there has been speculation in Whitehall that the March package might be a "holding operation".

But with his longer-term future still uncertain, Mr Lamont is keen to make a significant impact in March. He is expected to canvass the possibility of an extension of Value Added Tax to zero-rated items like domestic fuel, transport, new house-building and newspapers to pay for wide-ranging tax reform elsewhere.

London exchange plans closure of unlisted market

By Maggie Urry

THE London Stock Exchange has recommended the Unlisted Securities Market (USM) *should close at the end of 1995* because it no longer fulfils its role of providing capital for small companies.

It is proposing to establish "an identifiable smaller companies sector" on the Official List, to which the 306 companies on the USM would have to move or lose their quotations.

To help companies make the transition to the List, the initial fee payable on transfer to the main market will be waived and companies will not be required to produce listing particulars.

The fee varies according to the value of the equity admitted to the list.

Speculation about the proposed closure of the market, which opened in 1980, has grown during the last year while the Stock Exchange conducted a review of its future.

The review concluded that there had been a convergence between the USM and the List and "investors' and companies' perceptions of the USM have markedly deteriorated". The USM "is now widely regarded as a dying market" it said, with companies only remaining on the USM because of the cost of moving to the list.

The review also found there were more small companies on the List than on the USM.

A final decision about the USM will be taken in March, and the Exchange will take comments received before March 5 into account. If the closure goes ahead, no new issues will be allowed on the USM after June 30 next year.

Mr Ian Salter, deputy chairman of the exchange, said: "The USM was a very successful market for smaller companies raising capital in the 1980s. Our research shows it is no longer fulfilling that role."

Many USM-quoted companies welcomed the decision. But the move *has been* opposed by those who believed the USM provided an important source of equity capital *for* smaller companies in the 1980s, and could do so again once the recession lifted.

During its review the Exchange considered a new market for immature companies but found there was "insufficient demand".

Computer finale to tall story

By Jim Kelly

THE LIGHTHOUSE keepers of England are a dwindling band. The logic of automation, as inexorable as the North Atlantic, has cut their number from *270 at the turn of the century* to just 122 today.

Yesterday, The Bishop Rock, for 134 years a chess-piece beacon off the Isles of Scilly, lost its last keeper. He was replaced by £450,000 of computer controlled equipment.

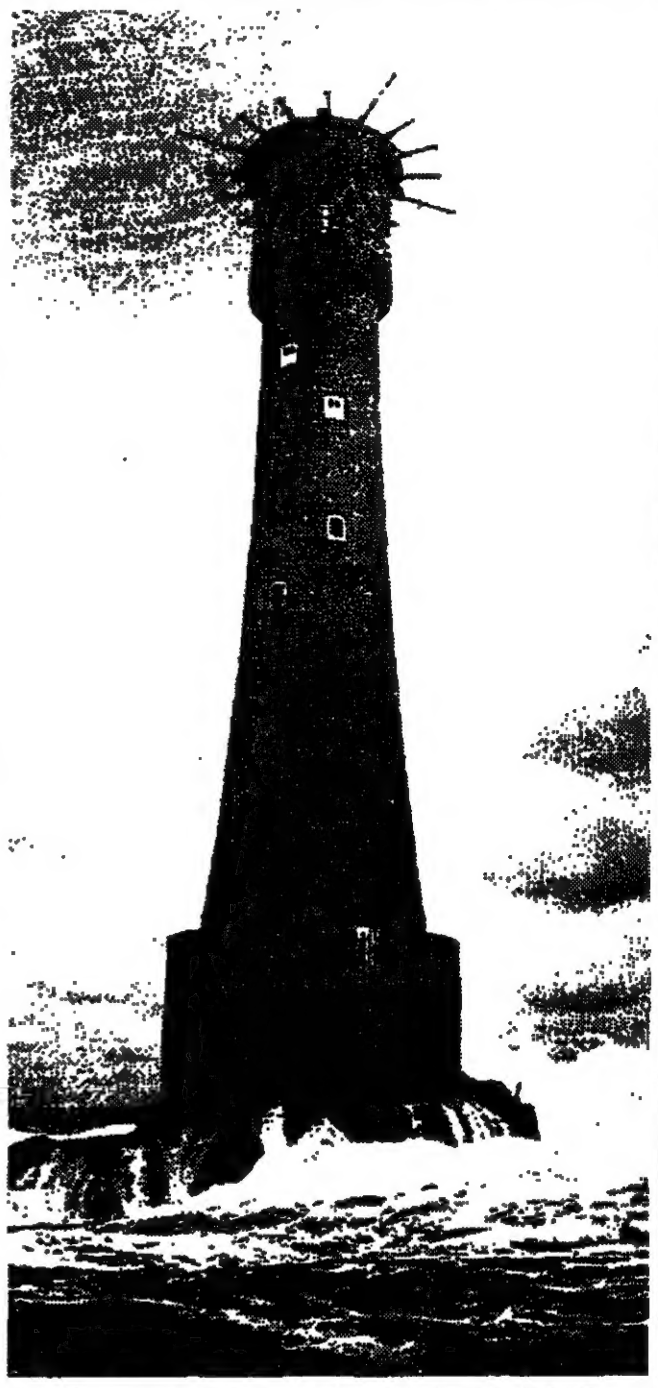
For Trinity House, which runs the service, the cost per annum will be £96,000 – compared to £191,000 for maintaining keepers on the rock.

Over the next 15 years Trinity House hopes to save £975,000 at The Bishop. The automation brings it closer to its target of replacing all offshore keepers by 1997. After The Bishop only three manned towers remain.

The tower needed a crew of six: three on duty and three off. The average wage was £10,000 per annum for working four weeks on and four weeks off.

Now the tower is monitored from Trinity House's control centre at Harwich, East Anglia, with telemetry provided by GEC, Britain's biggest industrial company. The Bishop will have its own "attendant" who will visit every month, plus a six monthly general overhaul.

Despite the savings many will regret the passing of the lighthouse keeper. The Bishop has been the marker for 'Blue Riband' crossings of the Atlantic for more than 150 years. Since then sailors have looked on The Bishop with relief: from today no one will be looking back.



Autopilot: Computers now control The Bishop Rock lighthouse after the last keeper left yesterday by helicopter

TV chief to run prison service

By Alan Pike and Ray Snoddy

THE government's determination to maintain the momentum of change in the prison service was signalled yesterday with the surprise appointment of Mr Derek Lewis, a television executive, to run it.

Mr Lewis, 46, chairman of UK Gold Television and former chief executive of Granada Group, takes over as director-general next month. He will become chief executive in April, when the service is relaunched as a Next Steps agency at arms-length from the government.

Derek Lewis will takeover prison service next month

Mr Kenneth Clarke, home secretary, said he believed Mr Lewis, with his business background, was "best equipped to manage the process of change" needed in the service. In spite of his lack of civil service experience, Mr Lewis will become the home secretary's chief policy adviser on prison matters.

Union leaders and prison reform organisations last night expressed concern about Mr Lewis's selection, with the Association of First Division Civil Servants saying it "looked like a political appointment by the home secretary."

The prison service has traditionally been run as a highly-centralised civil service department and dominated at local level by the Prison Officers Association, its powerful trade union. Mr Lewis's appointment is the latest in a series of government initiatives aimed at shaking up these arrangements. Britain now has two privately-managed prisons, and *both the public and private* sectors are preparing bids to manage the rebuilt Strangeways prison, Manchester.

From 1968 to 1982 Mr Lewis worked for Ford Motor, leaving as Ford of Europe's director, finance staff. In May 1991 Mr Lewis had a major setback in his career when he was forced to resign from Granada, with a pay-off reputedly in excess of £500,000.

Ian Maxwell 'in breach of duty'

MR IAN MAXWELL was yesterday ordered by a High Court judge to pay £500,000 to *the liquidators of Bishopsgate* Investment Management, the former managers of the Mirror Group pension funds, writes John Mason.

The action brought against Mr Maxwell was simlliar to that brought against his brother, Mr Kevin Maxwell, which ultimately left him as Britain's biggest bankrupt, owing the liquidators more than £400m.

The judge ruled that Mr Ian Maxwell had been in breach of his duty as a BIM director by *signing forms to transfer* shares from BIM to Credit Suisse without questioning the transaction. The £500,000 interim payment was ordered until an assessment of the value of the shares is made.

The judge rejected an application by BIM's lawyers for Mr Maxwell to be summarily liable for more than £400m of losses, arising from other transfers.

Lawyers for Mr Maxwell indicated in court that he might not be able to pay the £500,000. If this were the case, *enforcement proceedings* against Mr Maxwell could lead to him being made bankrupt too. His lawyers said they were considering an appeal.

In an earlier affidavit Mr Ian Maxwell said he only had limited *knowledge of BIM's* operations and signed the stock transfer form for Credit Suisse because he had relied upon his brother having already signed it.

Late-running benefit arrives for railway staff

By Catherine Milton, Labour Staff

BRITISH Rail has announced the arrival of a salary benefit for 4,900 signalling staff – 32 years late.

Rail unions said it was 1960 when they first argued that senior signalling staff should be paid extra for training their juniors – a task never written into their contracts.

The RMT rail union said for more than three decades BR, the state rail network, had refused to entertain the claim. The union never accepted management's view that remuneration for training had been addressed in pay reviews which considered technological change.

BR insisted that, as far as it was concerned, the claim had been lodged only two years ago.

"The claim was lodged in December 1990 and the final offer was lodged in July this year.

"It seems curious that they should not have pursued the claim if they really did lodge a claim in 1960," BR said.

The RMT yesterday accepted BR's offer, noting that the claim had outlasted three of its general secretaries, 17 transport secretaries and seven British Rail chairmen.

Staff have settled for 15 per cent on top of basic pay for every shift worked with a trainee. The *RMT* rail union calculated staff will walk away with between £4.40 and £6.80 per training day.

The union said it will raise the question of backdating the allowance, although many of the roughly 15,000 signalling staff employed in 1960 have died, moved jobs or retired.

BR said there were many *local agreements under which* some signalling staff are paid the allowance.

● Sir Bob Reid, chairman of British Rail, has predicted that the network's service next year could be poorer as difficulties from the tightness of the public-spending settlement and the fall in revenues worked their way through into the railway's performance.

He renewed his call for annual investment of £1.2bn-£4bn in BR.

Britain in brief

£90m cut in UK defence research

The government's Defence Research Arm confirmed it *was cutting 2,000 jobs, mainly* in the south of England.

The cuts will save £90m a year from the DRA budget of £800m a year.

"These savings are absolutely necessary in order to turn the DRA into a viable and cost-effective organisation offering real value for money to its customers," said the DRA. The agency also blamed "the downward trend in defence expenditure".

Eighteen sites, out of a total of 54, will be shut over the next five years, said the DRA.

Tour groups cut prices

The big three tour operators – Thomson, Owners Abroad and Airtours – are cutting the costs of summer holidays next *year in an attempt to stimulate* sales in the recession-hit market.

Thomson, the largest operator, is reducing the prices of more than 1m holidays by £50m across a range of European and US resorts.

Bookings for summer 1993 are 10 per cent down at present and there is no sign of the recession ending, according to the company.

"With value for money a top priority, these new prices will mean an overseas holiday is an affordable reality for thousands more people next summer," said Mr Charles Newbold, managing director.

Local chambers to merge in UK

Britain's chambers of commerce *and chambers of trade* will end nearly a century of rivalry when they merge on January 1 to form an organisation with 230,000 members.

The Association of British Chambers of Commerce, with 80,000 members, is to combine with the National Chamber of Trade with 150,000 members. The chambers of commerce *will absorb the NCT which* will form a retailing division.

The merger will create an organisation similar in size to the Confederation of British Industry. Preliminary talks have also been held with organisations representing local enterprise agencies and business clubs about the possibility of forming links, Mr Ron Taylor, director general of the association said.

US law suit rejected

A High Court judge rejected a law suit brought against the administrators of Canary Wharf, by Bear Stearns, a US investment bank which occupies 20,000 sq ft of the Docklands development.

Bear Stearns claimed that it was entitled to rescind its Canary Wharf lease because Olympia & York, the developers, had breached its agreement to pay the rent on Bear Stearn's former premises at Devonshire Square. However, *Mr Justice Morritt in the Chan*cery Division of the High Court concluded that there had been no breach.

The ruling has important implications for several other *tenants at Canary Wharf, since* O&Y commonly offered to take responsibility for a tenant's old premises as part of an incentive package to move to Canary Wharf. None of these obligations have been met *since Canary Wharf went into* administration in May.

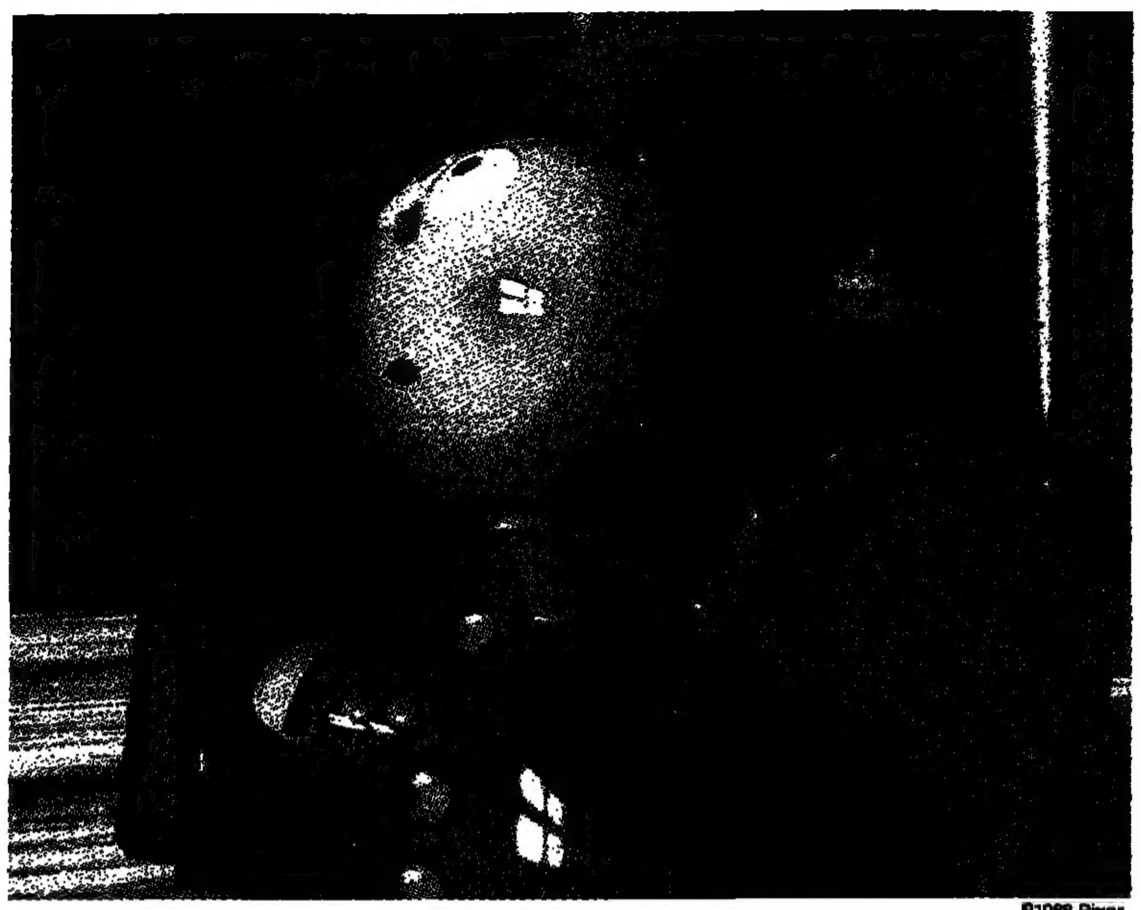
On ice.....

The occupation of the former Lyons Maid ice cream factory at Kirkby, Merseyside, has ended with an agreement that the workers can try to keep the business going as a co-operative.

Nestlé UK, which acquired the business from the receiver, has agreed to assist in setting up the co-operative and has donated the equipment in the plant. Mr Brian Revell, national officer of the TGWU general union, said: "This is a very significant development which provides an opportunity for our members to secure their jobs".

Creating dreams on computers

Victoria Griffith looks at the new generation of films that use digitalisation techniques



©1988 Pixar

Computer dreams: Tin Toy was the first 100 per cent computer-animated film to win an Oscar

A magic carpet teases its companions and hides from them; a woman steps out of a pool with water pouring from a hole in her stomach; cows sing; and a thousand fans are cloned to fill a baseball stadium.

Even in the fantasy world of films, these scenes would have been impossible just a few years ago. The reason they are on screen today is that a new generation of film artists is exploiting a fresh and exciting technique known as computer digitalisation. The widespread acceptance of computer-generated images in films has surprised even the pioneers of such techniques.

"When we started experimenting with computers in films in the early 1980s, a lot of people didn't want to have anything to do with it," says John Lasseter, a film director at Pixar, which has won Academy Awards for its innovations in computer-animated films. "Now, it's hard to imagine an animated film without it. And pretty soon, it may be hard to imagine a feature film without it."

Computers work on both a two-dimensional and three-dimensional level with film. On a two-dimensional level, the computer can be used to fill in colours and background.

Walt Disney routinely uses a computer colouring system to add in subtle shadings throughout an animated piece. Disney and Pixar, which helped develop the system, won a special technical Oscar this year for the technique's contribution to Beauty and the Beast. The technique digitally "inks and paints" the animator's drawings before compositing them with hand-drawn backgrounds and effects.

Industrial Light & Magic, considered the leader in special effects for feature films, used a two-dimensional digitalisation technique to create the hole in Goldie Hawn's stomach in Death Becomes Her. "First we filmed the scene without Goldie in it, exactly duplicating the camera moves," says Thomas Williams, in charge of digital technology at the company. "Then, we filmed the scene with her in it. The computer took the two films in its memory and used them to create the hole, with the background scenery exactly where it was supposed to be."

The three-dimensional applications of the technique are even more exciting. In the same way that a science researcher uses digitalisation to create a three-dimensional computer model of a molecule – capable of being spun around and viewed from different angles – film makers create fantasy images, then work the film around them.

Walt Disney first used the technique for the clock gears in the animated film The Great Mouse Detective. Digitalisation also created a carriage in The Little Mermaid and a convincing three-dimensional ballroom in Beauty and the Beast.

But the company's latest film Aladdin – which has just been released in the US and will open next year in Britain – has taken the process one step further. It uses the group's first computer-generated animated object, a magic carpet, which appears in nearly a third of the film.

"The software and hardware have progressed, and so has people's acceptance," says Stephen Goldberg, artistic supervisor with the company's computer generated imagery (CGI) unit. "There is a growing sense of trust that we're not out to take the art out of animation."

Indeed, most of the people working at CGI have a background in traditional animation. The magic carpet was initially hand-drawn, then digitalised into the computer by animator Tina Price. In the computer's memory, the carpet existed in three dimensions and was able to move around on the film with its complex pattern – containing magic lamps, crossing swords, and tigers' heads – in place.

"It would have been impossible to move the pattern convincingly from frame to frame using traditional animation methods," says Goldberg.

Walt Disney also used the technique to create the film's tiger's head, which emerges from the desert. The tiger's head is made up of many grains of sand which would have jittered on the surface if conventional methods had been used. Instead, the computer memory keeps the grains of sand in place.

Although Walt Disney is unparalleled in combining digitalisation techniques with the more old-fashioned hand-drawn frames, it is Pixar which leads the field in 100 per cent computer-animated films. Short pieces like Luxo Jr and Tin Toy, which won an Oscar in 1988, have set the pace for the industry.

"When we started using these techniques in the early 1980s," says Lasseter, "there was a misconception that the computer was making the film. That is no more true than the statement that a word processor writes a journalist's articles. But once you have the computer tool to use in animation, you wouldn't want to give it up any more than you would a word processor."

The biggest challenge for animators is getting the computer to generate images that are not perfect looking. "We still want it to look like animation," Lasseter adds. "Computers like geometric, perfect worlds, and we have to fight against that."

For feature films, however, the challenge is just the opposite – making images look as real as possible. Digitalisation has been widely used in science-fiction and fantasy films.

A three dimensional technique created Meryl Streep's twisted neck in Death Becomes Her, and helps contribute to many of the special effects in Terminator 2, including the scene in which a creature rises convincingly from the surface of a tiled floor.

The film world may get computer-generated characters soon. Steven Spielberg is said to be working on a film that would use computer-generated dinosaurs, courtesy of Industrial Light & Magic.

But the use of computers is rapidly moving beyond the science-fiction and fantasy realm to invade all types of films. Pacific Data Image used computer generation to clone the extras in scenes for The Babe, a movie about Babe Ruth, the baseball legend. "They needed 30,000 fans in period dress," says Carl Rosendahl, president. "But it's expensive to hire 30,000 people and produce costumes for all of them. So we took 1,000 extras and filmed them in various parts of the stadium. The computer used its memory to put them all together and we got a stadium full of screaming fans."

Computers are being widely used for complex stunts in action movies. "The stunt man can act in complete safety, with cables attached, and we later remove the wires and scan the scenery back into the film," says Rosendahl.

Computer digitalisation is also making its way into television commercials and music videos. Lancia car advertisements used an effect called morphing to make a logo in the desert melt to form a car, which then drove off. The company also created a singing cow by computer.

Those involved in using computers in films say the new techniques are a long way from reaching their limits. "This industry is still in its infancy," says Goldberg of Walt Disney. "At the moment, the possibilities seem endless."

Improved batteries and chargers have boosted cordless power tool sales

Cutting the cord of power tools

New models need to be recharged less often, writes **Della Bradshaw**

Among the pairs of socks and festive chocolates, many weary executives are likely to find a power tool stuffed into their Christmas stockings. But rather than a model with yards of rubber-clad cord attached to it, the chances are that this year's drill or screwdriver will be cordless.

These days, that should raise a smile rather than a grimace. Developments in battery and charger technology mean that cordless tools can easily perform most of the handyman's tasks.

"Over the past 10 years, cordless tools have developed to the extent that they are 200 per cent more efficient," believes Brian Neighbour, technical services development manager at power tool maker Bosch.

"When cordless tools first came on the market in the early 1970s, the idea was right but the technology was not there, " says Neighbour. "A man would go up a ladder to put in a dozen screws, but would have to come down again when he'd only done five because the tool needed recharging."

Just how long a do-it-yourself enthusiast can now work with a cordless tool before the power runs out is as long as the proverbial piece of string. It all depends, say the manufacturers, on the size of the bit, the material that is being drilled into, and even the weight of the person using the tool. But as a rule of thumb, they reckon that one of the more powerful cordless screwdrivers could drive in 80 screws before needing a re-charge.

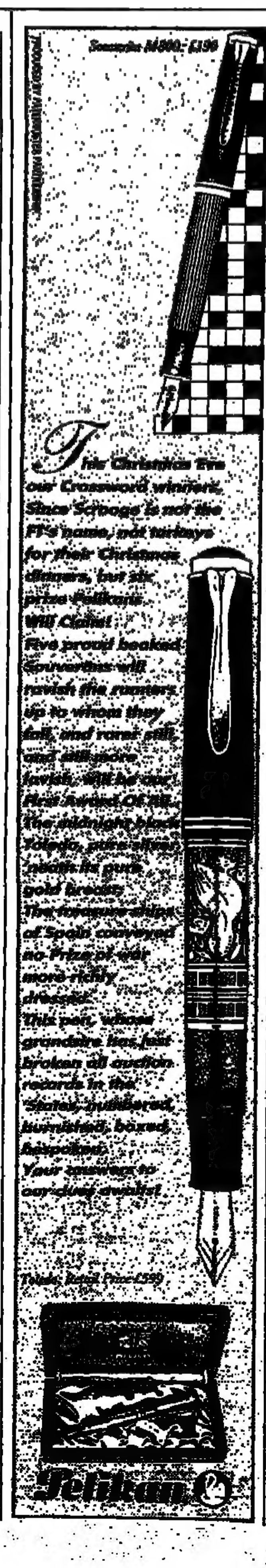
Developments in cordless power tools have been incremental rather than revolutionary. The nickel cadmium batteries – similar to those used in portable telephones – have become smaller and are able to pack an increasingly powerful punch.

A lot of work has also gone into the development of circuitry in the charger which powers the batteries. When cordless tools first came on to the market, it took 12 hours to re-power them. That was reduced to three hours, then one hour. Today, manufacturers boast of the "coffee break" charge – just 12 or 15 minutes.

Like portable computer makers, power tool manufacturers have been trying to ensure that the tools use as little power as possible, so the batteries last longer. They have developed a way of lubricating the tools with a special low-friction grease, which ensures that the drill bit or the screwdriver twist as easily as possible and so use less power.

Black & Decker estimates that 30 per cent of its tools sold these days are cordless, with most people buying them as a second tool to use alongside their existing mains-powered model. Nor is it just drills or screwdrivers that are cordless: sanders, circular saws, metal shears and even glue guns are now cutting the cord.

At the more powerful industrial end of the market, not only carpenters and decorators are using cordless tools – although they have proven particularly popular in private house building where they can be used before the mains electricity supply is switched on. These days, even car manufacturers are beginning to realise the advantages of going cordless.



PEOPLE

M and S

Marks and Spencer has promoted Joe Rowe, Jim Benfield and Roger Aldridge, all divisional directors and all long-serving M and S men, on to the main board.

Rowe, 45, who was made a divisional director in 1990, and is currently in charge of poultry, fish, meat and gifts, joined as a trainee merchandiser in 1975 from Unigate where he had been a systems analyst and then management consultant. With the bulk of his M and S career spent in the food and clothing divisions, he also served a year as Lord Sieff's personal assistant when the latter was chairman.

Benfield, 43, who has been responsible for store development and construction services, came to the company as a management trainee in 1970. He has been a divisional director for the past six years.

Aldridge, 45, an Associate of the Royal Institute of Chartered Surveyors, is currently looking after estates. He had been at J Hepworth before joining M and S in 1973. He was also made a divisional director six years ago.

Andy Lusher, head of store operations and property development, retires at the end of December.

■ Ken Schofield, MTM's chief executive, has completed the managerial stable-cleaning and reorganisation of his troubled chemicals group.

James Friederichsen, president of MTM's US operations, has resigned. He was the last member of the team led by Richard Lines, chairman and founder, who resigned in March.

Schofield has simplified MTM's structure into operational units and done away with geographical divisions. Friederichsen ran the now-closed US headquarters in Charlotte, North Carolina, which employed about 20 people.

Ken Carter has been appointed director responsible for fine chemicals, which represents about 40 per cent of MTM's turnover. His main task, according to the company, is to increase plant utilisation at the division's sites at Kirkby and Rock Hill.

■ Gregory Hutchings, chief executive of Tomkins, and Ian Duncan, finance director, have been appointed to the board of Ranks Hovis McDougall, which the conglomerate took over earlier this month.

Also appointed to the RHM board are Bob Muddimer and Denis Mulhall, both members of the Tomkins management team who have been in the US integrating the 1990 acquisition of Philips Industries with Tomkins.

Muddimer will be responsible for RHM's operational management in the UK and Europe as group president while Mulhall will be chief financial officer.

Tony Reading moves to the main Tomkins board and will be chief operating officer in the US. He will also have responsibility for RHM's US operations. Malcolm Swain will take over the position of Tomkins chief financial officer in the US.

RHM also announced the resignations of Michael Beckett and Bob Rogerson as non-executive directors of RHM. The other RHM directors who were in place at the time of the takeover remain on the board.

Non-executive directors

■ **John Parker**, chairman and chief executive of Harland and Wolff Holdings, at GKN from next April.

■ **Christine Morin-Postel**, executive vice-president, corporate development and international operations, at Lyonnaise des Eaux-Dumez, at NFC.

■ **Michael Hogben**, a former chairman of the working party on audit guidelines for building societies, at PORTMAN BUILDING SOCIETY.

■ **Alistair Gray**, md of Genesis Consulting, at HIGHLAND DISTILLERIES.

■ **Jim Power** as chairman at SPECIALEYES on the resignation of Andrew Noble.

■ **Allan Gormley**, chief executive of Trafalgar House, as a deputy chairman of ROYAL INSURANCE.

■ **Hugh Try**, chairman of Try Group and deputy chairman of the Construction Industry Training Board, at The PHOENIX TIMBER GROUP.

■ **Ray Tindle**, chairman of Tindle Newspapers, at SOUTHERN NEWSPAPERS.

■ **John Robinson**, chief executive of Smith & Nephew, at DELTA.

Change of heart at Chrysalis

Spurred on by the Cadbury report, music publishing communications and media company Chrysalis is appointing three non-executive directors – the first outside directors on the board since the company was merged with Management Agency and Music in 1985.

Chris Wright, chairman and chief executive, says his previous group managing director, Terry Connolly, who left three years ago, had been "very much opposed to non-executive directors; he didn't think they served a useful purpose".

Now Chrysalis has chosen as its most senior non-executive Charles Levison, previously managing director of WEA Records/Warner Home Video (UK) and then, until last year, managing director of Virgin Broadcasting. Levison, who is also a trained lawyer, will chair the audit and remuneration committees at Chrysalis.

Wright had no need of a headhunter to locate his first non-executive whom he has known since the late 1960s when Levison was a partner specialising in the music industry at Harbottle & Lewis. He says he hopes Levison, 50, will also help the company develop relations with the City, a side Wright admits he has not been inclined to pay much attention to himself. One of his other two non-executives will have an accountancy background, with the other probably coming from the creative side. Again avoiding the headhunting route, Wright says he will solicit his fellow board members for names of suitable candidates.

Levison is currently putting together the joint venture between Virgin and TV-am for Virgin Radio, a national rock station to be launched shortly. Chrysalis has, however, negotiated first right of refusal over any media ideas or proposals Levison may have after he joins its board.

In a Nutshell

How to become leader of the pack

Persuading small business owners to make use of written sources of information to improve their management techniques is difficult enough. Expecting them to make use of the complex work packs beloved of academics and some professional advisers is even more of a challenge.

Nevertheless, for the highly self-disciplined entrepreneur or the person following a training course, these packs can prove useful. Starting Up: A Step by Step Guide to Establishing and Running Your Own Business by etc*, a consultancy firm, provides a 40-minute video, textbook and workbook to help in the preparation of a business plan.

Users should expect to spend 100 hours but at the end will have gained an insight into planning, filled in knowledge gaps and made their mistakes on paper rather than in business, the pack promises. There are much cheaper handbooks available though they do not take readers so rigorously through the preparatory stages.

** etc, 6 Avonmouth Street, London SE1 6NX. Tel 071 378 1547. £90.*

Coming clean on the environment

Small businesses are under increasing pressure to conform to quality and environmental standards which have often been devised with larger companies in mind.

Barclays Bank and Sandwell Training and Enterprise Council have combined to help five small- and medium-sized companies based in the West Midlands qualify for BS7750, a new British Standard which sets a framework for the development of good environmental practices. Companies have been chosen from "dirty" industries, including steel-making, chemicals and paint.

A further 300 companies are taking part in a BSI assessment of BS7750. They have been split into 35 working groups covering industry sectors such as fishing, construction, wood products and hotels and restaurants.

Contact Markus Clavin, Barclays Bank. Tel 0203 534051.

Small firms should not rule out a public flotation of stock despite the difficulties, says Charles Batchelor

Enterprise looks for a way out

Two years after buying control of Orthofix, an Italian manufacturer of devices for treating fractures, Edgar Wallner began making plans for a public flotation. He ruled out the Italian stock market as being too small and London because he felt it had a prejudiced view of Italian companies.

Acting on the advice of one of the venture capitalists who had backed him, Wallner, an Englishman, decided to list his company on Nasdaq, the US electronic market.

Orthofix duly went public last April listing 3m of its 10m shares at $12 a share. "London investors would not have paid 21 times earnings for an Italian company," says Wallner. Orthofix, with projected 1992 sales of $27m, (£17.7m) now has funds available to make acquisitions.

Wallner's decision to go for a US listing highlights a problem facing growing businesses throughout Europe. The revelation last month that the London Stock Exchange was thinking of closing the Unlisted Securities Market reflects a wider malaise affecting secondary stock markets throughout Europe.

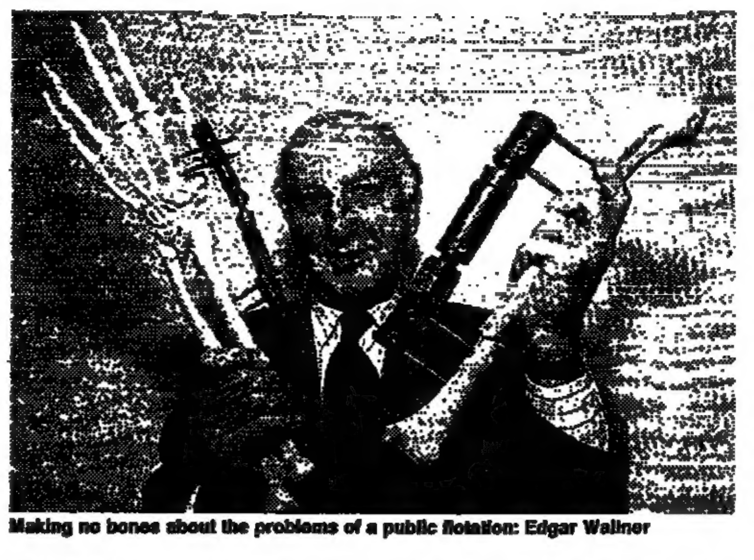
According to one estimate 17,000 companies in Europe have received equity funding over the past decade. Most will not be suitable for a public listing but the managements of these businesses, and the venture funds which have backed them, will all be looking for a way to realise their investment. Flourishing stock markets are essential for putting a price on these businesses and allowing them to raise new capital.

The secondary markets launched in Brussels, Paris, Amsterdam and several other European centres in the 1980s have been struggling to maintain, and in some cases even establish, viable trading volumes. London scrapped its Third Market in 1987, is likely to shut down the USM and is incapable of creating liquidity for many of the 1,500 companies (out of a total of 2,100 on the main exchange) with a market value of less than £50m.

"Unless a young company can have access to the public market at an earlier stage than is now possible there will be a brake put upon enterprise," comments Ronald Cohen, chairman of Apax Partners, a venture capital company.

One reason for the decline of Europe's secondary markets was that they failed to reach a critical mass and so were unable to provide profits for the promoters, stockbrokers and market makers, says Dick Onians, managing partner of Baring Venture Partners.

This lack of expertise meant they attracted ephemeral businesses selected because they could be easily understood by the investors, he told a conference on "Realising Enterprise Value" organised by the European Foundation for Entrepreneurship Research in London.



Making no bones about the problems of a public flotation: Edgar Wallner

The high-tech businesses which have sought an early market listing in the US have not been a feature of the European secondary markets.

Indivers, a Dutch-based company providing services to turbine manufacturers, airlines and the semi-conductor industry is illustrative of companies which decided against a European flotation. It twice looked at a listing in Amsterdam in the 1980s but rejected it because knowledge of its industry on the Dutch market was low.

Bert Twaalfhoven, founder of Indivers, calculates that Amsterdam would have valued his company on a price earnings ratio of six while Singapore and London would have rated the company on p/es of 25 and 10 respectively. Finally Twaalfhoven decided to keep his company private.

Keeping the company in the family is attractive to many entrepreneurs but it can act as a brake on growth. And unless the venture capitalists who back fast-growth companies can find profitable "exits" they will have difficulty raising further money from their investors to back the next generation of new businesses.

The most common alternative to a stock market listing is a trade sale where a business sells out to another company. Howard Rose, founder of Runcorn-based Waverley Pharmaceutical, sold his company to Ivax Corporation of the US for $50m earlier this year. Rose, who built his business with the backing of a wealthy "business angel", says he rejected a London listing because the USM was "a waste of space".

There is a widespread feeling among venture capitalists and entrepreneurs that many European exchanges make it too difficult for the young company to obtain a listing. "The stock exchange seems to see its role as protecting investors against business risk and not just against fraud," comments Cohen.

Entrepreneurs have mixed feelings about the attractions of a flotation, according to a study of nearly 300 European venture-backed businesses by William Bygrave, professor of enterprise studies at Babson College in the US.

Business owners were attracted to the idea of a listing by the prestige of running a public company and the relative ease of subsequently raising finance. But they were concerned at the cost and worried that sponsors and investors would lose interest after the float, leading to a fall in the share price.

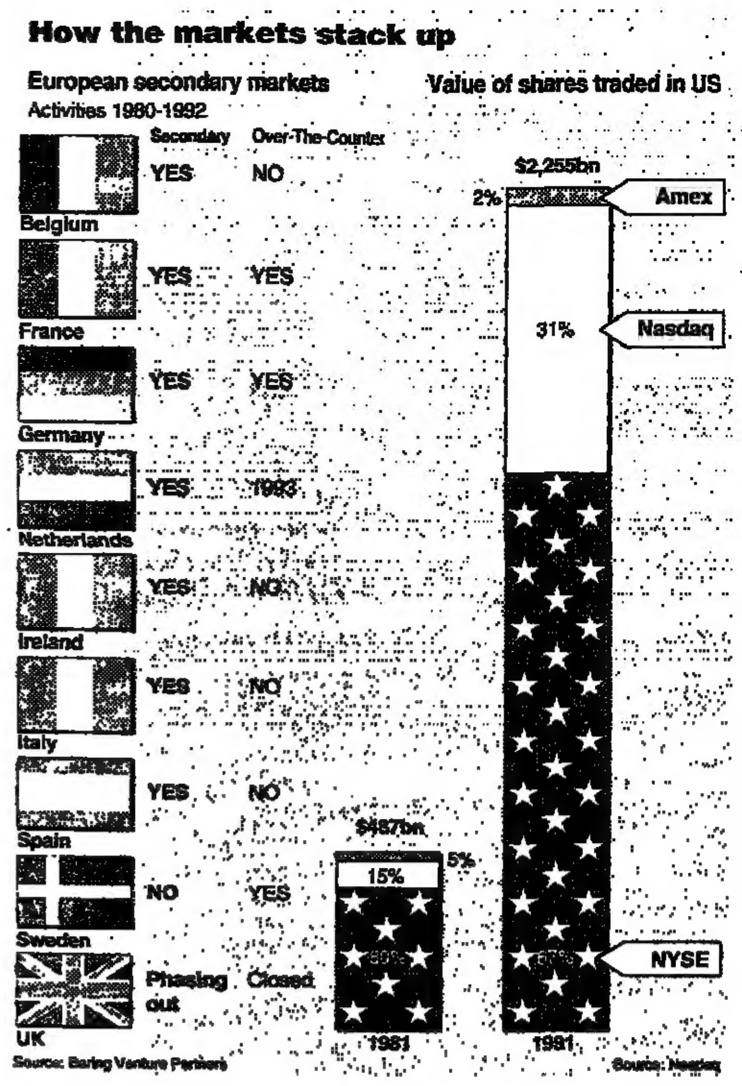
The most successful market at attracting fast-growing businesses has been Nasdaq, which trades 181 foreign stocks out of 4,400 listed on its two main markets. On average Nasdaq stocks are dealt in by 12 market makers while 98 per cent of the top 2,200 companies are the subject of regular analysts' reports.

European companies are already using Nasdaq to obtain a listing and it has tried to establish links with European exchanges. "But we have not found a local partner who did not see us as a threat," says John Wall, executive vice president.

Modern technology makes it irrelevant where an electronic market is based but European companies would welcome a market which attracted European investors, if only to cut the amount of time spent travelling. Wallner says he has made three trips to the US since April and given 110 presentations about Orthofix to US investors.

One suggestion from Baring Venture Partners is for an Europe-wide exchange, to be owned and operated by the European venture capital industry. The exchange would be self-regulating and would recommend valuations, provide a quotation service and complete transactions, says Onians.

However, investors and entrepreneurs might have their reservations about a market run by venture capitalists, whose own valuation procedures have come in for criticism. But some new mechanism for floating young companies is needed. "We have to put on pressure to re-establish a market," says Cohen. "In three to four years everyone will be wanting small company stocks."



Inventor pieces together the elements of a public offer

John Mott, a successful British inventor of carbon fibre sports equipment and the device which lights up high-tech training shoes, plans to take on Lego in the marketplace for modular construction toys.

To finance his ambitions he hopes to raise £600,000 – £480,000 after costs – from investors.

Unusually for a business at such an early stage in its development – it only registered as a public limited company in July – Mottik International Group is attempting to raise money by a public offer for sale.

It is even seeking to be listed under the London Stock Exchange's Rule 535, which permits trading on a matched bargain basis.

Mottik approached venture capitalists to raise the money but says they decided against backing the proposal because it was too risky and involved too small an amount of finance.

John Hallworth, a partner in Birmingham stockbrokers Griffiths and Lamb which is sponsoring the issue, says this is the first time he has tried to obtain Rule 535 status for so young a company.

The issue of 40 per cent of Mottik's shares will go ahead even if the stock exchange refuses approval but Rule 535 status would give the company a higher profile and allow investors to buy and sell their shares more easily.

Hallworth is critical of the lack of openings for new businesses in the UK.

"Everyone would back the inventions they see on the Tomorrow's World television programme if they could," he says.

"But the stock exchange rules prevent companies listing without a three-year record. Investors cannot get in on the period of really rapid growth."

BUSINESS AND THE LAW

Year of trials and many errors

The UK's Serious Fraud Office had a poor 1992. Next year is unlikely to prove any better, writes **Robert Rice**

The UK's Serious Fraud Office (SFO) would, like the Queen, sooner forget 1992.

The year started badly. At the end of January Mr Justice McKinnon, the trial judge in the year-long Blue Arrow fraud trial, ordered the jury to acquit the three corporate defendants, County NatWest, NatWest Investment Bank and UBS Phillips & Drew Securities. The defendants were accused of conspiring to mislead the markets over the employment agency's ultimately unsuccessful 1987 rights issue. But the judge said there was insufficient evidence for the cases against the three to proceed any further.

In February, the SFO dropped charges against two men – Mr David Mayhew, a partner of stockbroker Cazenove & Co and Mr Roger Seelig, former corporate finance director at Morgan Grenfell – which would have formed the basis of a third Guinness trial.

The trial, arising out of the £2.7bn Guinness takeover of Distillers in 1986, had been expected to start in the autumn. Charges against Mr Mayhew and Mr Seelig, who at the time was already standing trial in the second Guinness prosecution, were dismissed at a brief hearing. Mrs Barbara Mills, the then SFO director, said there was no longer a realistic prospect of conviction.

Within a week the second Guinness trial had also collapsed. Mr Justice Henry, the trial judge, discharged the jury five months into the case because the mental strain on Mr Seelig, who was representing himself, had reached a point where it was "no longer possible for him to conduct his defence adequately".

Three days after the collapse of Guiness two, the jury in the Blue Arrow case convicted four of the remaining defendants, acquitting a fifth. After a trial lasting a year and four days and estimated to have cost £35m, six of the original 10 defendants had been found not guilty.

Sandwiched in between the decision to drop charges in Guinness three and the collapse of Guinness two, the SFO had, after a seven-month trial, secured the conviction of Mr Peter Clowes on 18 counts of theft and fraud. Clowes's conviction came three and a half years after the £150m collapse of his investment company, Barlow Clowes.

Within the space of seven days in February the SFO and the whole fight against so-called "white collar" crime had come within a hair's breadth of disaster (a fact underscored when the convictions of the four Blue Arrow defendants were overturned by the Appeal Court in July. Subsequent Blue Arrow prosecutions were also abandoned.)

Cazenove's David Mayhew, Barbara Mills, ex-director of the SFO, and Roger Seelig

In fairness, not all the blame for the collapse of these cases should be attached to the SFO. In the Blue Arrow case, some of the blame for the inordinate length of the trial was because of the easy-going style of Mr Justice McKinnon, the trial judge. In Guinness two, Mr Seelig's conduct of his own defence inevitably prolonged the trial.

The collapse of these cases provoked a public uproar. MPs demanded an explanation for the apparent waste of so much taxpayers' money.

Mr Justice Henry called for a radical solution to the problems of long fraud trials. "It seems to me inevitable that we must find a cheaper and quicker way to deal with serious fraud trials and the likelihood is we shall need a radical solution rather than merely tinkering with procedures," he said.

Mr Justice Phillips, thanking the jury at the end of the Barlow Clowes trial, said: "Until recent times, no-one could have imagined that our legal system could place such a burden on anyone's time."

Lord Roskill, the former law lord who chaired the 1983-1986 inquiry into fraud trials, echoed these views. He said the government had been wrong to ignore his earlier advice that complex and lengthy fraud cases were unsuitable for jury trial.

"I'm impenitent about non-jury trials for complex frauds. This view was right in 1986 and nothing has happened to change my mind," he said.

In the wake of the public outcry, the government promised an immediate review. Sir Patrick Mayhew, the then attorney general, talked of adopting a simple all-embracing fraud offence similar to that used in Scotland as a means of reducing the number of indictments and focusing on the issues at trial.

However, as the year wore on little more was heard of this idea. The government seemed content to leave the big issues – such as whether complex fraud should be tried by jury or by special fraud tribunals, should there be a simple all-embracing fraud offence and whether certain market offences should be decriminalised – to the Royal Commission on Criminal Justice, which was appointed after the release of the Birmingham Six in March 1991 to inquire into miscarriages of justice.

The government promised a consultation paper on changes in the practice and procedure of fraud trials; in the meantime it was left to the judges and other lawyers to carry the torch for reform.

Mr Justice Henry, in various speeches, called for a time limit of four months for fraud trials save in exceptional circumstances; for the trial judge to open proceedings by giving an impartial summary of both the prosecution and defence cases; earlier disclosure of the defence case to allow the issues for trial to be narrowed down; and tougher powers for judges to impose sanctions on both prosecution and defence for non-co-operation in pre-trial hearings.

Mrs Mills, who by April had been appointed director of public prosecutions, supported Mr Justice Henry's proposals and called for a simple all-embracing fraud offence and formal plea-bargaining so as to recover more of the proceeds of fraud. These suggestions were supported by Mr George Staple, her successor at the SFO.

The government consultation paper, which was eventually published earlier this month, contained few ideas which had not already been well-canvassed other than heavy fines for defendants and their barristers for failure to disclose their defence in detail at an early stage.

With the Royal Commission on Criminal Justice not due to report until July, prospects for concrete reforms in 1993 look slim. This is bad news for those involved in the more than 24 serious fraud prosecutions awaiting trial or making their way through the courts.

As Mr Justice Henry says: "Without legislative changes, I do not believe that things will get better, in fact I am certain that they will get worse."

Business and the Law will next be published on January 12.

Guinness finale in new year

The important cases due to start next year include:

The final Guinness trial starting on January 11. Mr Thomas Ward, a US attorney and former non-executive director of Guinness, faces theft and false accounting charges relating to the 1986 takeover of Distillers.

Mr Anthony Dobson, Mr Michael Robinson and Mr Keith Woodward, directors of Homes Assured, will stand trial in January accused of defrauding company creditors.

Mr Asil Nadir, former chairman of Polly Peck International, goes on trial at the Old Bailey on March 8, charged with 16 counts of theft and false accounting. Mr John Turner, the company's group accountant, also faces charges of false accounting. The trial is expected to last six months.

Mr Frank Shannon, former finance director of Nissan UK, and Mr Michael Hunt, the company's assistant managing director, will stand trial in March on corporation tax fraud charges.

Mr Roger Levitt, head of the Levitt group, whose trial on fraud charges is expected to start on September 14. Three other former Levitt executives also stand trial.

Cases before the courts for which no trial dates have yet been fixed include:

- **The Maxwell trial. Mr Kevin Maxwell and Mr Larry Trachtenberg, are accused of conspiracy to defraud and theft in connection with the collapse of Mr Robert Maxwell's business empire. Mr Ian Maxwell and Mr Robert Bunn are accused of conspiracy to defraud. The case is still before magistrates and is not expected to start before early 1994.**
- **Mr Nazmudin Virani, head of Control Securities, charged with conspiracy in connection with the investigation into the collapsed Bank of Credit and Commerce International. Two former officials of the bank also face charges.**
- **Mr Terry Ramsden, former chairman of Glen International, collapsed in 1987 with losses of £142m, is awaiting trial on 22 charges, including fraudulent trading.**

John Mason

Five years of Sunday trading

EUROPEAN LAW

Last week, five years after it was first asked to rule on the the compatibility of UK Sunday trading laws with European Community law, the European Court of Justice finally gave an unequivocal ruling. The Rome Treaty's prohibition of national legislation restricting the free movement of goods between Community countries does not apply to the 1950 Shops Act which bans retailers in England and Wales (though not in Scotland) from Sunday opening.

History

In the mid-1980s retailers in England and Wales began opening on Sundays, arguing that the ban on Sunday trading in the 1950 Shops Act reduced imports from other EC countries and thus infringed Article 30 of the Rome Treaty.

In the 1989 Torfaen case the ECJ ruled that Article 30 "does not apply to national rules prohibiting retailers from opening their premises on Sunday where the restrictive effects on EC trade which may result therefrom do not exceed the effects intrinsic to rules of that kind".

That ruling left it to the national courts to determine as a question of fact whether the effects of those rules actually exceeded such intrinsic effects (a proportionality test). Following that judgment, however, different UK courts reached different conclusions on how to apply these principles to the Shops Act.

In 1991 the ECJ held, without any qualification, that Article 30 did not apply to national rules prohibiting the employment of staff on Sundays (Conforama case) or on Sundays after 12pm (Marchandise case), as the restrictive effects of such rules "did not appear to be excessive in relation to the aim pursued".

Three English courts referred further questions to the ECJ seeking further guidance on how to reconcile and apply the three rulings.

Clarification

The ECJ has now clarified the position by extending its rulings in the the two 1991 cases to all national legislation prohibiting retailers from Sunday opening and by answering itself the question which in the Torfaen case it had left to the UK courts to decide.

The first two parts of the Court's reasoning followed its earlier rulings. First, Sunday trading rules were "measures of equivalent effect to quantitative restrictions" that could be caught by Article 30. While legislation enforcing Sunday closing was not intended to regulate the flow of goods, it may still have an adverse effect on the sales volume of certain shops which affect the sale of both domestic and imported products. But the Court said the marketing of imported products was not made more difficult than the marketing of domestic goods.

Second, the Court confirmed that national rules restricting the opening of shops on Sundays pursue an aim justified under EC law if they reflect "certain choices relating to particular national or regional socio-cultural characteristics".

However, EC states must make those choices in compliance with EC law and, in particular, the principle of proportionality. Provided therefore the restrictive effects of EC trade did not exceed the effects intrinsic to such rules, the prohibition in Article 30 would not apply.

The Court stressed that assessments as to proportionality "cannot be allowed to vary according to the findings of fact made by individual courts in particular cases". Appraising the proportionality of national rules which pursue a legitimate aim under EC law involved "weighing the national interest in attaining that aim against the Community interest in ensuring the free movement of goods". To verify that the restrictive effects do not exceed what is necessary to achieve that aim, it must be considered whether those effects are direct, indirect or purely speculative and whether those effects do not impede the marketing of imported products more than domestic products.

In the Conforama and Marchandise cases the Court had applied those considerations in holding that the restrictive effects on trade of national rules prohibiting the employment of workers on Sundays in certain retailing activities were not excessive in relation to the aim pursued. It followed, the Court said, that the same finding must be made with regard to national rules prohibiting Sunday opening.

Cases C-306/88, Rochdale Borough Council v Anders; C-304/90 Reading Borough Council v Payless DIY and others; C-169/91, Stoke-on-Trent and Norwich City Councils v B & Q, ECJ FC, December 16, 1992.

BRICK COURT CHAMBERS
BRUSSELS

Kathleen Kuhlmann, Yvonne Kenny and Stafford Dean in Covent Garden's new production

Opera/**Max Loppert**

'Alcina' without the magic

Handel based three of his Italian operas on Ariosto's *Orlando furioso* – *Orlando*, *Ariodante* and *Alcina*. For many Handelians they form the pinnacle of his operatic art. All three are works of intense erotic charge whose principals are lashed by tides and cross currents of sensual intrigue and emotional conflict; and all three are works in which the apparatus of magic and the supernatural directly carries that charge.

For all the supposed difficulties and antique formalities of the *opera seria* convention in which they are framed, all three can speak to us with as much directness and "modernity" as Mozart's *Figaro* or *Così* about the emotional frailties of human nature, the deceptions that people in love or lust can enact upon each other, the heights of ecstasy and depths of despair to which passion can lead. And all three operas are works of almost overwhelming musical abundance.

For me *Alcina* is the supreme Handel masterpiece, the Desert Island Handel opera. The prospect of a new Covent Garden production – the first since Zeffirelli mounted the opera for Sutherland in 1962 – was therefore almost as enticing as the verdant meadows and bosky woods of Alcina's magic terrain and the enchantments she practises on her captive knights.

How, then, to convey temperately my disappointment at the dullness of Friday's opening performance? It was not a disaster, not one of those enraging "interventionist" misrepresentations by producer or designer. The principals parts were not inadequately taken: the cast contains several of the day's prominent Handelians. The score was more fully and respectfully given than is often the case (although it is a pity that the boy Oberto should have been excised).

What it was, a lot of the time, was just plain, plumb *boring*: a musical plod, and a dramatic reduction of the spectacle – which should include dance sequences as well as elaborate scene changes – to virtually a concert in costume.

Handelians are a hardy breed. They know that the great operas, performed with rhythmic vivacity, alertness to textural colour and pointedness of melodic shaping, can "come across" in defiance of any number of infelicities in the staging. But equally, they know that such irredeemably flabby musical direction as John Fisher offered on Friday – letting the life ebb out of moderate-paced arias, giving no "lift" to the allegros – is almost always the *coup de grâce* to any hope of Handel opera-as-drama.

In a country where good Handel conductors abound, it is astonishing that someone so manifestly incapable of conveying the musical delights of *Alcina* should have been invited to conduct it at Covent Garden. The choice of production team – producer Stephen Wadsworth and designers Thomas P. Lynch and Dunya Ramicova – proves hardly more successful. Theirs is a poverty-ridden show, to the eye but even more to the imagination.

On a basic set – a hedge, a desiccated-looking tree, an urn, a blue sky at the back – the principals go through a set of polite motions. Occasionally the lighting changes; occasionally fancy little conceits of aria-production are essayed. Most of the time the design construction keeps the singers behind the proscenium arch; almost everything in the show seems geared to muting forwardness of vocal address.

One's heart goes out to the singers: this is no way to help them shine. Ann Murray, currently Britain's leading female exponent of the great Handel castrato roles, comes nearest to doing so. Even if sometimes her mezzo timbre seems to lack a strong "personal" stamp, the unflustered elegance and unforced distinction of her musical command compensate greatly. Her Alcina is Yvonne Kenny (the two were previously partnered in the Covent Garden *Mitridate* and ENO *Xerxes*). The failure of this wonderfully graceful soprano to sound the role's depths, to catch its glitter no less than its pathos, is the production's doing; in spite of this she offers much lovely singing.

Other fine performers who do themselves less than proper justice are Judith Howarth (an excessively pert Morgana), Anthony Rolfe Johnson (almost too weightily distinguished for the second-string role of Oronte) and Stafford Dean (Melisso); Kathleen Kuhlmann's Bradamante is on the right lines, and in fresh voice. So once again in modern times the Royal Opera has failed to honour fully its Handelian birthright.

In repertory until January 22

American theatre/**Paula Deitz**

A Christmas Carol

At his public readings in America, during his Christmas tour of 1867, Charles Dickens read *Christmas Carol* to sell-out audiences (Longfellow heard him in Boston). By then Dickens was using the story as a sentimental warm-up for grimmer excerpts that followed. Knowing this makes all the more commendable a remarkable presentation on Broadway by the British actor Patrick Stewart, who is packing the house not with a reading but a performance of *Christmas Carol*.

A veteran of the Royal Shakespeare Company, Stewart has become an American pop hero as the starship captain (played like a Shakespearian king) in television's *Star Trek: The Next Generation*. But when he enters he is simply dressed in a nondescript brown suit, making no attempt to be like Dickens or even of the period.

He snatches up the red-bound volume like a storyteller's trophy and begins with "Marley was dead" standing at a lectern. The only other props, all painted brown, are a high desk and stool, a Windsor chair and a table that also serves as a four-poster bed. No sooner has the listener's imagination soared to fogbound City courtyards than, in a flash, the actor is across the stage to Scrooge's counting-house.

This is when the magic begins. In a series of apparitions as life-like as Scrooge's Spirits, Stewart proceeds to portray, in voice and manner, all 40 characters in a sort of one-man *Nicholas Nickleby*. There is nothing easy in Scrooge's gradual transformation from "Bah! Humbug!" to a man frightened to the core by recognition of himself. Nor are there any minor characters, for each in turn gives weight to the whole.

Stewart has a facility for portraying women, in voice and gesture – the bustle of Mrs Cratchit at dinner or the capacious Mrs Fezziwig and her three daughters entering the ball. This event, a *tour de force* of whirling hands over hands and steps in stately formations, creates the dizzying effect of 20 couples.

With no sets, lighting designer, Fred Allen, expands and contracts space. By giving a sense of architecture to an empty stage, he uses light to convey cold city streets or country lanes and in an instant returns us the action to Scrooge's cramped upstairs bedroom. The Ghost of Christmas Present arrives offstage with a warm glow of blazing firelight first emanating from the adjoining room and then filling the stage as Scrooge appears to enter it. The image of this Spirit seated atop the table, torch held on high, indicates some indebtedness to the first-edition illustrations by John Leech. (This illustration along with Dickens' original 1843 manuscript of *Christmas Carol* are on view until January 10 at the Pierpont Morgan Library.)

It is hard to convince an audience when everyone knows what is coming, but at this reading an sigh of relief could be heard when the last Spirit dissolved into the bedpost.

More people than Ebenezer Scrooge are being transformed by this Christmas experience. Stewart returns to the lectern briefly to conclude the tale, before steping away again to rear stage to return slowly towards the audience, himself again, arms opened generously in a balletic gesture with a simple "And so, as Tiny Tim observed, Gold bless Us, Every One!" Instant standing ovation.

At the Broadhurst Theatre, New York until January 3

'Orfeo' lacks drama

Much of the background to the composition and first performances of Monteverdi's three surviving operatic masterpieces remains obscure almost four centuries later. The first of them, *L'Orfeo*, at least has the validation of a printed score, which appeared in Mantua in 1609, two years after the first performance, but even that definitive text leaves plenty of room for conjecture and dispute, and for interpreters to find their own solutions.

The latest to offer his own performing version is Philip Pickett, whose recording with the New London Consort has been released by L'Oiseau-Lyre (433 545-2, two CDs); on Friday in the Queen Elizabeth Hall he directed a concert performance with the same cast.

In the booklet accompanying his recording and the programme notes for the concert Pickett details the results of his research into the circumstances of the premiere of *L'Orfeo*. The musical content of the opera may not be disputed, but it is the forces involved and the instrumentation that intrigue him most, and his conclusions give a distinctive tang to the performance.

His solutions are generally minimalist ones: the chorus is reduced to a group of seven reinforced by the subsidiary members of the cast; there is as little instrumental doubling of the vocal lines as possible, and just one instrument to a part in the continuo and string bands.

What is absent in this lean, potentially flexible approach is any consideration of the dramatic aspects of the work and how this intimate group of performers would have been deployed theatrically. In a work in which drama and music are so miraculously interwoven it seems a strange omission. Even on disc, the playing and singing seem inert and precious. In concert the lack of dramatic spark was even more significant.

Something inescapably English coloured the whole performance, not just in the irredeemably un-Italianate rendering of the text (for an object lesson in bringing Monteverdi's words to life, hear the new recording of *Ulisse* from René Jacobs) but in the sound world itself. Even such a fine singer as John Mark Ainsley seemed curiously inert as Orfeo, although Julia Gooding's Euridice and especially Tessa Bonner's Ninfa revealed more character. The assorted shepherds seemed to have been recruited straight out of King's College Chapel Choir. The passion that drives Monteverdi's vocal lines, that makes his operas the supreme achievements they are, had been drained away.

Andrew Clements

Concerts/**David Murray**

Salonen and the Philharmonia

Last Wednesday young Esa-Pekka Salonen, one of the Philharmonia's two "principal guest conductors", took the orchestra through Beethoven, Schoenberg and Stravinsky; and on Friday, Liszt and Mahler. Hearing these exercises was a stark confirmation that there really *are*, these days, honest musicians who have only the dimmest inklings about any music that might pre-date the Great War.

In Schoenberg's op. 42 piano concerto and in the Liszt A major, the soloist was Emanuel Ax, who knew very well what he was about. He played the Schoenberg from the printed score – which might explain a certain lack of spontaneous flair; but he unfolded the music with as much lyrical delicacy as confident purpose. It was pleasing to find that Schoenberg's language no longer causes any detectable dismay: the audience responded to the concerto, quite rightly, as if it were Rakhmaninov or Prokofiev.

Salonen provided ready, lucid support, as he did as well for the pianist's elegant Liszt on Friday, but always with a flatter expressive profile than his soloist's – who was thereby flattered, standing out as *the* judicially eloquent voice. It was left to Ax, nevertheless, to explore both the shadows and the poignant possibilities of both scores, which he did with loyal imagination.

Everything else was worse. Left to himself with Beethoven's Seventh Symphony, Salonen rendered it almost ridiculous. The long, bated-breath introduction to the opening Vivace was taken up-tempo (to put it mildly!), like the famous Allegretto after it, and yet neither meant anything much. Although there are good musico-historical arguments for rejecting "time-honoured" portentousness in this music, there is no excuse for cantering heedlessly through it.

Salonen maintained a strict, nuance-free beat that took not the slightest account of old-fashioned harmonic nodes, nor of the dramatic tensions which radiate from them. The trio of the Scherzo arrived without any change of dramatic colour; and every movement culminated in an *accelerando* that sounded mechanical, propelled by no new musical insight. None of the instrumental voices could do much more than keep up with the rush (the Philharmonia players were visibly glum and recalcitrant). It was like hearing an efficient Martian visitor delivering a score that meant nothing to him.

Stravinsky ought to fall safely within Salonen's range, but the *Orpheus* ballet is particularly tricky to bring off. It needs at once to pay audible homage to its 18th-century models, and to preserve an astringent 20th-century tautness; here, it sounded flaccid, uncommitted and under-rehearsed. After those disheartening Wednesday performances, one heard Mahler's Third Symphony on Friday with a jaundiced ear. Yes, the brazen orchestral declamations rang out – but where were the raw, seismic upheavals in the first movement, the twinkling graces of the Menuetto, the comedy of the Scherzo?

With the arrival of Anne Sofie von Otter's golden mezzo the dark "Molto adagio" after Nietzche and the boys'-choir-and-bells Allegro came into much sharper perspective. At the end, the Philharmonia strings distinguished themselves in the heart-wrenching Adagio. Mahler's daringly stretched symphony relies nevertheless upon its initial, hugely dramatic premises. With those reduced to such two-dimensional tameness, it was no wonder that the whole symphony seemed too episodic to cut any serious ice with a modern audience.

German theatre/**Jackie Wullschlager**

Robert Wilson's 'Faustus'

Robert Wilson, director, writer, painter, was the Texan little boy lost who turned European theatre upside down in the 1970s. Now, star entertainer of Paris, Berlin, Hamburg, his latest revivals are the controversial draws of this year's Paris Autumn Arts Festival.

His newest piece, *Dr Faustus Lights the Light*, has all the ingredients needed to keep Wilson fans cheering: cold artifice; the play of light and dark; perfectly timed automatic movements; minimalist music; semi-nonsense text. But the aesthetic is so close to that of Wilson's early work, notably the 1976 *Einstein on the Beach*, that this *Faustus* looks like a parody, or an anachronism from Wilson's avant-garde days. Has Wilson developed at all in two decades?

Faustus was written as a libretto by Gertrude Stein in 1938 but never composed by anyone. Its story – Faust sells his soul for electric light – has natural appeal for Wilson, who sets it as a ballet of light bulbs and fluorescent strips interspersed with dances from Devil. A red one sways on a swing, a black one spurts up on a seesaw. Both are familiar Wilson types, with the pointed bodies, ashen faces and white hands of the *Cabaret*-inspired Devil/emcee from his last show, *The Black Rider*.

Here too is the ice-hard, jagged imagery: close-cropped heads, razor-sharp dresses, bony bodies, a gigantic pair of scissors, each snip marked by shattering glass. Dancing is slick: splits, slits, high kicks. A leg juts out, three identical heads pop up like gargoyles, behind the curtain. Against a black sky, light forms into circles. A puppet is shot marching along a neon sign. Bulbs rise and descend like yo-yos. At last, a single strip of light shrinks further into the distance. Stage and cast are swallowed in blackness.

Dramatic, technically clever, but not enough. Wilson carries his chill, exaggerated aesthetic into actions and words, trying to tie his staging to the dire absurdity of Stein's text, written in relentless monosyllables. He enhances the monotony by using German actors who speak no English, who chant the lines flatly. Movements, jerky, automatic and stylised, echo speech. A cast of three Fausts and three Margaretes, acting in absolute unison as if worked by a puppeteer, underlines the absurdist repetition.

Stein's post-modern joke about the meaninglessness of words is impossible as "spoken opera" – dull as a boring play about boredom. Like all Wilson's work, this show is a perfectly unified, choreographed vision. But the vacuous play makes devices that once charmed look empty, worn out.

There are glimmers of the heart that is missing. Faust's poodle is played by a cabaret-girl with a blond pigtail and grey suit who waddles on "hind" legs. She no longer bays at the moon because Faust has destroyed moonlight, so she pouts "thank you" endlessly between red painted lips. Hans Peter Kuhn's fairground music, on accordion and scratchy double bass, hints at the love, lyricism, painful loss which elude the strait-jacketed performers.

Wilson is still sadly obscure in England. Do not cross Europe for this *Faust*, but it is a collector's piece and another episode in Wilson's tortuous relationship with German theatre. The 1990 love-and-murder musical hit *The Black Rider*, still in repertory in Hamburg, was the summit of that achievement. Here is nothing but artifice; no emotion, no meaning. Wilson, like Faust, has lost his soul.

Paris Autumn Arts Festival continues to Dec 29. "Dr Faustus Lights the Lights", Hebbel Theater, Berlin, Jan 18-24; Comedie, Geneva, Feb 2-5.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tomorrow: Handel's Messiah. Thurs morning Fri afternoon: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Mahler's Das klagende Lied, with Charlotte Margiono, Jadwiga Rappe and Hans Peter Blochwitz.
Sat: Bernard Haitink conducts Rotterdam Philharmonic Orchestra in Mahler's Seventh Symphony (6718 345). Sun afternoon at **Beurs van Berlage:** Daniel Wayenberg plays piano works by Schumann and Chopin (6270 466)
DANCE/OPERA
Muziektheater Tonight: Dutch National Ballet Stravinsky triple bill, including choreographies by Balanchine and Nijinska (repeated tomorrow afternoon, Thurs evening, Fri and Sun afternoons, also next Mon and Wed evenings).
Tomorrow evening, Sat afternoon, next Tues evening: Hartmut Haenchen conducts Pierre Audi's staging of La bohème, with Hei-Kyung Hong and Martin Thompson. Krisztina de Chatel Dance Group gives performances Jan 2, 4, 5, 6. The next Netherlands Opera production is Birtwistle's Punch and Judy, opening Jan 9 (6255 455)

BRUSSELS

Palais des Beaux Arts 20.00 Viktor Liberman directs Belgian National Orchestra in a Mozart programme.
Dec 31: Ronald Zollman conducts world premiere of new work by Jacob Druckman, plus Beethoven's Ninth Symphony (507 8200)
Monnaie 19.00 Die Zauberflöte with a cast including Elzbieta Szmytka and Laurence Dale. Repeated on Fri and Sun afternoons and next Tues evening (219 6341)
Théâtre National 20.15 Ravel's L'enfant et les sortilèges, production by Patrice Caurier and Moshe Leiser originally staged for Opéra de Lyon. Repeated tomorrow, Sat, next Tues, Wed, Thurs (217 0303)

MUNICH

Prinzregententheater 20.00 Fabio Luisi conducts a Rossini concert featuring members of the Bavarian State Opera as soloists. Tomorrow, Sat, Sun and next Tues: Hansel and Gretel. Fri and Mon: Carmen. Dec 28 and 30 in.
Cuvilliés-Theater: Stravinsky's Soldier's Tale with Martha Modl (221316)
Gasteig 20.00 Bach Collegium plays Vivaldi concertos. Tomorrow: Bach's Christmas Oratorio.
Fri, Sat, Sun, Dec 31: Budapest Operetta Theatre presents popular extracts from Viennese operettas.
Dec 30, 31: Peter Schneider conducts Munich Philharmonic Orchestra in Beethoven's Ninth Symphony (48098 614).
Dec 31 in **Olympiapark:** Agnes Baltsa and José Carreras sing opera arias, duets and songs (299901)
Gärtnerplatztheater 19.00 Nutcracker. Tomorrow: Hansel and Gretel.
Fri: Wagner's opera Die Feen. Sun and next Tues: Die Zauberflöte.
Next Mon: Der Freischütz (201 6767)
● A selection of theatre and concert tickets is available at Konzertkasse Beck on the fourth floor of the Beck department store at Marienplatz 11

PARIS

DANCE
An Opéra Ballet production of three Jerome Robbins works can be seen at **Palais Garnier** tomorrow, Sat, Sun and next Tues (4742 5371).
The company also presents the Bourmeister production of Swan Lake at the **Bastille** tonight, Thurs, next Mon and Thurs (4473 1300).
Daily till Dec 31 at **Théâtre de la Ville:** Jean-Claude Gallotta and Groupe Emile Dubois (4274 2277).
Dec 27-31 at **Théâtre des Champs-Elysées:** Dance Theater of Harlem (4720 3637)
MUSIC
Tomorrow at **Salle Pleyel:** Marek Janowski conducts concert performance of Hansel and Gretel, with a cast including Julie Kaufmann, Helga Dernesch, Nadine Secunde and Francois Le Roux (4230 2308).
Tomorrow, Sat and next Tues at **Opéra Bastille:** Sylvain Cambreling conducts Peter Sellars' production of Messiaen's Saint Francois d'Assise, with José van Dam (4001 1616).
Tomorrow, Thurs, Fri at **Théâtre des Champs-Elysées:** Boys Choir and Orchestra of Harlem (4720 3637).
The **Châtelet** has Hello Dolly! daily till Jan 9, with matinee and evening performances on Sat and Sun (4028 2840).
Opéra Comique has Louis Varney's Les Mousquetaires au couvent, starring Gabriel Bacquier, daily except Mon and Thurs till Dec 31 (4286 8883).
Peter Brook's Debussy adaptation, Impressions de Pelléas, resumes performances at **Théâtre des Bouffes du Nord** next Tues, thereafter runs daily except Sun and Mon till Jan 23 (4607 3450)
JAZZ/CABARET
Jazz Club Lionel Hampton French jazz musician Stefan Patry and his swing septet are in residence till Sun (closed on Thurs and Fri).
Dec 28-Jan 9: Lionel Hampton and his Orchestra (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St, tel. 4068 3042)
● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

WASHINGTON

THEATRE
● The Secret Garden: the Broadway hit musical based on Frances Hodgson Burnett's enchanting novel. Opens tonight, daily except Mon till Jan 31. No performances on Dec 24, Jan 1 and 20 (Kennedy Center Opera House, 202-467 4600)
● Jesus Christ Superstar: the Andrew Lloyd Webber/Tim Rice rock musical. Till Jan 10 (Morris Mechanic Theater, 410-625 1400)
● Hamlet: Tom Hulce heads the cast in Shakespeare's play. Till Jan 10 (Shakespeare Theater at the Lansburgh, 202-393 2700)
● A Christmas Carol: a stage adaptation of Dickens' classic tale. Till Jan 3 (Ford's Theater, 202-347 4833)
● The African Company: Carlyle Brown's play about a group of 19th century African American actors who put on their own version of Richard III in New York. In repertory with Blood Knot, Athol Fugard's first major success. Till March 28 (Arena Stage, 202-488 4377)
MUSIC/DANCE
● Washington Ballet production of The Nutcracker, directed by Mary Day, runs at Warner Theater till Dec 27 (202-432 SEAT). Jan 25-27 at Warner Theater: Twyla Tharp and Mikhail Baryshnikov (202-833 9800)
● Washington Opera's production of Don Pasquale opens on Boxing Day at **Eisenhower Theater** with a cast led by Paolo Montarsolo (12 performances till Jan 30). Bizet's Pearl Fishers opens on Jan 2 (202-467 4600)
● Tomorrow at **Kennedy Center Concert Hall:** Messiah sing-along with Paul Hill Chorale and several guest conductors. Sat: Alexander Schneider conducts New York String Orchestra. Sun: Gospel concert. Dec 31: New Year's Eve concert. Jan 7, 8, 9, 11, 14, 15, 16: Rostropovich conducts National Symphony Orchestra (202-467 4600)
JAZZ/CABARET
Blues Alley Jazz Supperclub Tonight: Doug Cameron, jazz violin. Tomorrow: Paul Hawkins and La Jazz present A Night in Tunisia. Dec 26-31: Ahmad Jamal, piano. Jan 1-4: Mose Allison, piano/vocals (1073 Wisconsin Ave, in the alley, 202-337 4141)

ZURICH

MUSIC
Eliahu Inbal conducts Jonathan Miller's new production of Schreker's Die Gezeichneten tonight at the **Opernhaus** (also Dec 27, 30, Jan 1, 6, 13, 16, 31). Tomorrow: Die Zauberflöte. Dec 26 and 31: Die Fledermaus (262 0909). The **Tonhalle's** New Year's Eve concert is conducted by Karl Martin. (206 3434)
THEATRE
The **Schauspielhaus** during the Christmas period has Botho Strauss' Kalldewey Farce, Shakespeare's A Midsummer Night's Dream and Roger Lille's Himmel auf Erden. No performances Christmas Eve and Christmas Day (265 5858)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY
CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY
CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Tuesday December 22 1992

Japan in the doldrums

AS THE tortuous Japanese budgetary process grinds into motion again this week, with the Ministry of Finance revealing its plans for the 1993 fiscal year, the same nagging doubts present themselves. Has the official machine really got the measure of the problems that afflict the economy? And can Japan adapt to the very different environment that it faces in the aftermath of the bubble economy?

While the growth forecast for the current year has finally been revised downwards from 3.5 per cent to 1.6 per cent, next year's budgetary arithmetic rests on the cheerily implausible assumption of a return to growth of 3.3 per cent. The Bank of Japan, meantime, has foolishly continued to resist calls for a further reduction in interest rates despite overwhelming evidence of increasing fragility in the banking system.

With industry potentially facing a fourth year of declining earnings and the personal sector throttled by debt, the prospect for growth is more than ever dependent on domestic budgetary stimulus or a boost from external demand. No doubt the battle over the 1992 supplementary budget, which was finally approved by the Diet on December 10th, will have to be fought all over again, with next July's G7 Tokyo summit providing an obvious pressure point.

The unsustainability of the present policy mix is underlined by a current account surplus now well ahead of the level considered intolerable at the time of the Plaza accord that preceded the Japanese bubble. With Mr Clinton en route for the White House, Japan's historic penchant for exporting its way out of recession is even more politically controversial this time.

Impetus for change

Yet it is possible to underestimate the impetus for change. One straw in the wind is the state of public opinion. The Japanese were prepared to tolerate corrupt relations between politicians, businessmen and the criminal fraternity as long as the system delivered. But since the bursting of the bubble at the end of 1989 the disillusionment over the failure to translate high economic growth into a better quality of life has become palpable. That feeling is reinforced by anger over stock market losses and an oppressive burden of debt. While the government of Mr Kiichi Miyazawa is committed to enhancing housing and infrastructure, its half-hearted measures have so far failed to convince.

As people have lost patience with the low ethical standards that characterise Japanese public life, the much criticised system of one-party democracy has been forced to demonstrate a self-corrective capacity – witness the shedding of prime ministers and party bosses, when the pressure from an angry press and public has become overwhelming. The break-up of the leading faction in the ruling Liberal Democratic Party also reflects a reformist tendency among the younger politicians in the party. There have, of course, been realignments and rumours of a break-up in the LDP before. All that can be said at this stage is that the climate for change is more propitious than at many points in the past.

Perverse effects

The new assertiveness of the Japanese public may accelerate structural economic change in more perverse ways. Hostility towards the banks, after the excesses of the 1980s, has scuppered a government lifeboat for over-stretched banks. If the under-capitalised private sector lifeboat that is now being pressed into service proves less adequate for the task, economic recovery will be impeded. The longer recovery takes to emerge, the greater the pressure on industry to sacrifice hallowed employment practices, since fixed costs are too high after the investment binge of the 1980s. Increasingly, top companies are talking openly about abandoning seniority pay in favour of merit pay.

Similarly, the enforced departure of key members of the LDP's old guard could make striking a deal on rice market liberalisation much harder. A hostile US response could in these circumstances prove a catalyst for more rapid change. The longer it takes to pull out of recession, the greater the pressure for economic and political reform. The agenda looks more open for Japan than it *has done for many years past.*

Privatising British Rail

NOBODY EVER said railway privatisation was going to be easy, but did the government have to make it quite so hard? Five months after publishing a flimsy white paper that raised as many questions as it answered, the Department of Transport has still to provide the details necessary to convince a sceptical world that privatisation will actually work. The result has been a vacuum which opponents have been only too eager to fill.

The latest to join the chorus of disapproval is Sir Bob Reid, the chairman of British Rail, who has urged the government to adopt a more evolutionary approach to rail reform. Breaking up BR would make it harder to improve rail services in the UK, he said, and lead to the closure of branch lines. There would be problems in maintaining safety standards, and orders would dry up for UK rolling stock manufacturers. So-called network benefits such as through ticketing and the national timetable would disappear.

Before writing privatisation off, however, it as well to consider the alternative. For under state ownership, desperately-needed investment is certain to continue to be denied by constraints on public spending, as Sir Bob himself acknowledged. At the same time management is stultified by government controls and the lack of a profit motive. More of the same is the no-hope solution.

Railway renaissance

If Britain is to see a railway renaissance – and growing demands for more and better transport suggest that it needs one – privatisation offers the best hope of providing it. The only question is what form it should take. Since a sell-off is ruled out by the fact that most of the passenger railway loses money, the government has had to find another way of introducing private sector skills and capital into the industry.

In reality, privatisation is too strong a word for what is proposed. Only the freight operations are to be sold outright. On the passenger side, the private sector is being asked to bid for franchises to operate British Rail's trains, with the contracts going to the companies requiring the lowest subsidies. The infrastructure will remain in state ownership, with train operators being charged for the use of the tracks. It should not be impossible to preserve network benefits within such a setup.

Flexible approach

This approach is almost infinitely flexible, exactly the sort of evolutionary approach which Sir Bob commends. On the passenger side, the government may franchise one train service, *half* a dozen, or the lot over the next 10 years, depending on what rate of progress seems sensible. It may vary the terms of the franchises from one line to another in recognition of their different attributes. Open access, for example, may be appropriate on main trunk routes, but impractical on congested commuter lines. It may make sense to let operators of little-used branch lines rent the tracks as well as the trains rather than cripple them with track charges. And some services may need to be franchised for decades at a time if that is what it takes to persuade the private sector to invest in them.

This is not to say that privatisation *will* be painless. The transparency that will result from the introduction of track charges could bring home some uncomfortable truths about the real costs of the more heavily loss-making freight and passenger services. But if the result is to prompt a debate about what price society is prepared to pay to see people and goods transported by rail rather than road, it should be welcomed.

As for the rest of the objections, most stem more from fear of change than from any genuine weaknesses in the government's proposals. Separating track infrastructure from the provision of services is the way of the future in Europe: Sweden has already successfully implemented it. Germany is doing so as part of its own rail privatisation plans, and the concept lies at the heart of EC rail transport policy. Significantly, few if any of the objectors to Britain's plans have been able to suggest an alternative.

The government bungled the launch of its railway plans, but the proposed structure itself is sound. All that is needed is a clear demonstration of the government's will to make it work. It will then be up to BR's senior management to deliver or step aside.

The empire splits up

The fragmentation of Warsaw Pact countries is creating an unstable division of military might, says David White

Across central and eastern Europe, armed forces are being remodelled or created anew. In place of a monolithic system, a new military map is in the making, fragmented, unstructured and disparate.

Since the winding-up last year of the Warsaw Pact and then the Soviet Union itself, a pattern of new regional powers and spheres of influence has begun to emerge. In its closing months, after the loss of East Germany in 1989, the Warsaw Pact had six members. In the new year, when the Czech and Slovak republics split, the six will have become 21 countries, all either possessing their own armies, or forming them, or planning to form them, with differing degrees of civilian control and varying levels of clarity about doctrines or aims.

Old grievances and suspicions are returning in a region where borders affecting large swathes of territory and ethnic groups have changed within living memory. Nationalism is resurgent. Tensions and clashes of interest are inevitable. The Stockholm International Peace Research Institute (SIPRI) counts some 30 current territorial disputes in the Caucasus region alone, arising from frontier changes in the 1920s, 1930s and 1950s.

On the fringes of the former Soviet Union, war has already struck Georgia, Moldova, Armenia, Azerbaijan and Tajikistan. The conflicts in the former Yugoslavia have revealed the inability of present European security structures and mechanisms to tackle crises of this sort.

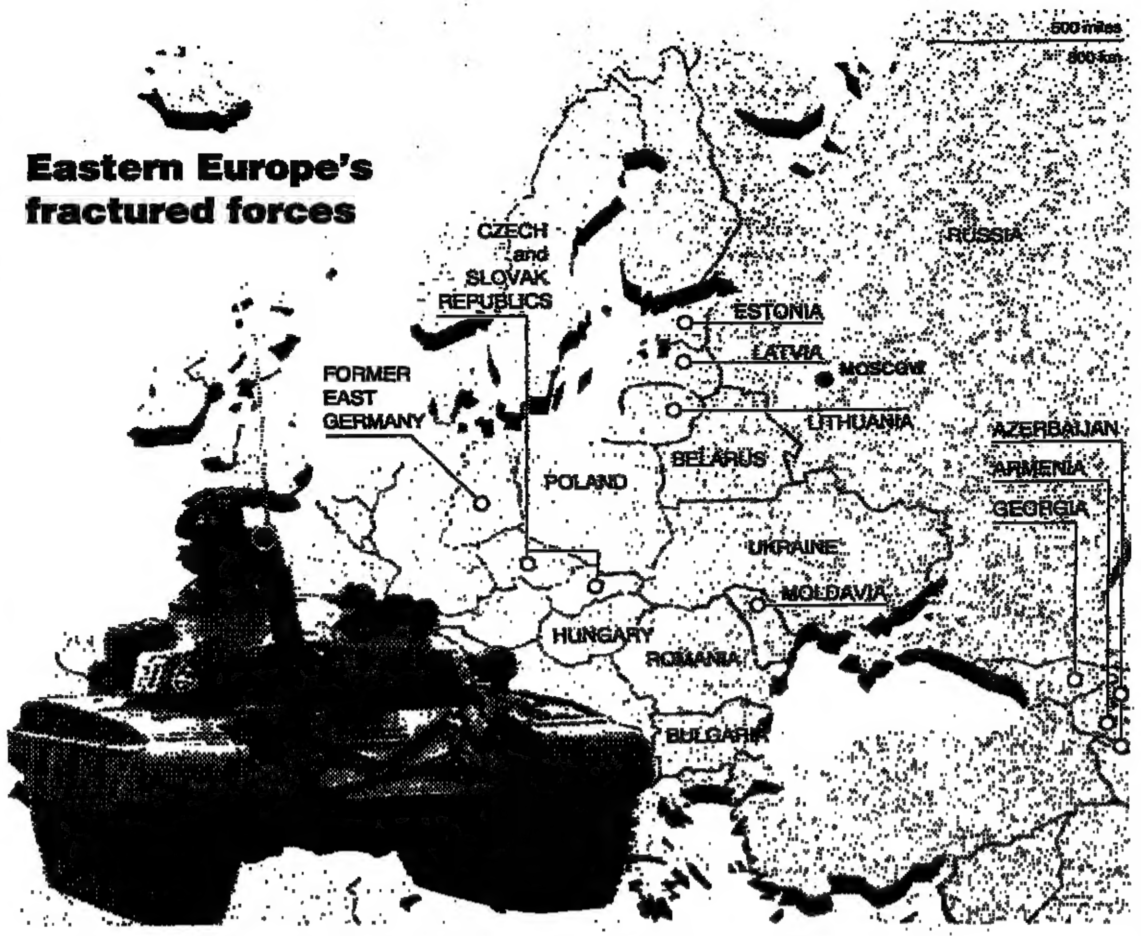
Military authorities in central and eastern Europe all now profess democratic principles, but they are largely survivors from the old system. For 36 years their armies acted as an extension of the Soviet command, with standardised military doctrines and equipment. Today's reform-oriented general staff officers come from a background of allegiance to the party and to the dominant ally.

Reform of army structures is going on while remnants of a Soviet troop presence remain in Germany and Poland as well as various former Soviet republics, and while part of Moscow's long-range nuclear arsenal lies stranded in three republics outside Russia.

Military spending among Moscow's former allies has been dropping for several years, although according to SIPRI the process slowed down in 1991. Throughout the region cuts have begun under the Conventional Armed Forces in Europe (CFE) treaty, which demands the destruction of large numbers of heavy weapons, aircraft and helicopters. But the treaty, agreed between the Warsaw Pact and the Nato nations two years ago, was designed to balance two blocs, not to secure stability within either group of countries.

There are enormous disparities. Belarus, finding itself unexpectedly independent, currently has twice as many tanks as Britain, more big guns than France, more combat aircraft than Germany.

In Ukraine, there are reckoned to be about 700,000 troops, including forces withdrawn by Moscow from Germany, Hungary and Czechoslovakia. Under agreed manpower ceilings, these are due to be reduced to 450,000 in 1995. The official aim is a strength of 250,000 – roughly equivalent to the UK's – at the end of the decade. Most have signed oaths of allegiance to Ukraine. Experts say some 10,000 officers have refused and are due to leave. But there may be up to 200,000 Ukrainian officers currently serving in other republics and eligible to return.



Eastern Europe's fractured forces

Ukraine now has more tanks, armoured vehicles and combat aircraft than any other country in Europe after Russia. Even under the CFE cuts its entitlements for tanks and armoured vehicles are Europe's third largest, and for artillery and aircraft the second largest, dwarfing those of its neighbours to the west.

With seven national borders and a Black Sea coast, Ukraine holds a pivotal position in the region. The greatest source of international concern is its ambiguity over the nuclear weapons on its soil: 176 SS-19 and SS-24 intercontinental ballistic missiles and two bases with nuclear-armed Bear and Blackjack bombers. The country's leaders have promised to become non-nuclear by the end of 1994. But Ukraine has yet to ratify the Start treaty with the US on reducing strategic arsenals, as Russia and Kazakhstan have. Unlike Belarus it has refused to accept full Russian control over the weapons.

In the spring, it stalled over the transfer of short-range nuclear arms for destruction in Russia. Its aim now appears to be to win the financial assistance it failed to obtain then. The US has already offered it $175m to help dismantle the strategic arsenal and store the materials, on condition that Kiev joins the Nuclear Non-proliferation Treaty.

"It is largely a bargaining chip, but we can't be sure," says Dr Mark Smith, who heads research on the former Soviet Union at the Royal United Services Institute in London. Ukraine does not have operational control over the weapons, nor the command system it would require. But experts believe it could overcome these hurdles. Under the Soviet system, the most advanced stages of nuclear weapon production were kept in Russia, but Ukraine could undoubtedly develop an indigenous capability.

Nato officials are worried that President Leonid Kravchuk may be attracted to the idea of a place in the family of nuclear-weapon states. Some parliamentarians have spoken of the desirability of a small nuclear deterrent.

"Why should they give it away, if they distrust the Russians?" asks Mr Henry Plater-Zyberk, a military expert at the University of Surrey.

Uncertainty also surrounds the future of the former Soviet Black Sea fleet. Agreement was reached in August on a temporary joint Russian-Ukrainian command, putting off the division of the fleet for three years. But there have been hints that Ukraine may want to extend its naval presence beyond its coastal waters and possibly into the Mediterranean.

The European countries that have emerged from Moscow's domination have all, except for Belarus, clearly turned their backs to Russia. Since the Warsaw Pact's demise in April, 1991, a queue of potential applicants has built up at Nato's door.

However, officials at the organisation's headquarters in Brussels complain that the central and eastern European countries have "exaggerated expectations of what Nato can do". The North Atlantic Co-operation Council, set up by Nato as a forum for these countries, also embraces the former Soviet Union's central Asian republics, with which they have few interests in common and which still have ties with Russia.

Nato, created for stability in Europe, has yet to work out what its function is in that part of the continent which used *to* be in Moscow's dominion. Mr Dick Cheney, the outgoing US defence secretary, recently issued a personal warning to Nato colleagues: "An organisation devoted to security that does not address these concerns is not going to survive long-term." Nato should ultimately agree to admit "at least some of these nations", he said.

But Nato allies are reluctant to provide security guarantees over territory reaching to the borders of the former Soviet Union. They are also anxious not to sideline Russia.

In the Baltics, Nato has been trying to dampen fears about Russian aggression and about the concentration of Russian forces in the Kaliningrad enclave between Lithuania and Poland. This area contains as many as 400,000 troops, officials say, including units being withdrawn from Germany and the independent Baltic republics. Lithuania, Latvia and Estonia are creating new armies – still tiny with hardly any equipment. They are the only three countries building up their military from scratch.

Elsewhere the greatest advances in ideas for reform and restructuring have been made in Poland, Hungary and Czechoslovakia, the members of the Visegrad group formed last year. All want to redeploy forces concentrated near their western borders. But in the case of air forces this means building new airfields. The problem is at its most acute in the division now being undertaken between Czech and Slovak forces. Military strength, including air defence, has been concentrated in western Bohemia, although the defence industry is mostly in Slovakia.

Equipment in these countries lagged behind that of Soviet forces. But modernising is difficult, with Nato not yet ready to supply arms and traditional suppliers demanding payment in hard currency.

Hungary, which has had fighters on alert since a cluster bomb fell on a border village in October last year in a spillover from the fighting in former Yugoslavia, has obtained aircraft *identification equipment* from the US, the first such supplies to a former Warsaw Pact country. It is also getting spares from the former East German army and recently agreed to take $800m worth of equipment from Russia as part of debt repayments.

Most of the members of the Commonwealth of Independent States – the fragile grouping of former Soviet republics other than the Baltics and Georgia – have founded their own national forces; Tajikistan plans to; Turkmenistan is the only one planning to share command with Russia.

But if these countries want professional, western-style forces, how are they going to afford them? Their ministries frequently cannot even afford the fares to take part in seminars with Nato members.

Implementing the CFE cuts is an awesome problem for all central and eastern European countries. Cutting up tanks is expensive and environmentally hazardous. It is unclear how Russia and Ukraine, in particular, will face up to the force reductions required, with large-scale military unemployment adding to the effects of economic upheaval.

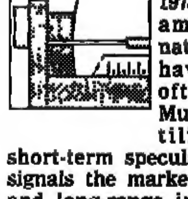
The deterioration of morale and discipline in the Russian military is already notorious. Officers are disoriented, some bitterly resentful of the way arms control has been handled. Most of the Russian forces are now regarded by Nato as being in *poor condition.*

Cuts promised for the end of the decade include a 45 per cent reduction in current troop numbers. But even then, Russia will still have an army of 1.5m, backed by 3,000 long-range nuclear weapons, the accoutrements of a superpower. When a Nato military official declares that "none of us is afraid of the Russians any more", he is speaking for stable, secure western Europe and not for the countries that have emerged from the Warsaw Pact.

PERSONAL VIEW

Tax the speculators

By James Tobin



Since the breakdown of the Bretton Woods agreement in 1973, exchange rates among leading national currencies have fluctuated, often violently. Much of their volatility reflects short-term speculation, distorting signals the markets give for trade and long-range investment. Most experts agree that the ups and downs have greatly exceeded variations in rational estimates of currencies' fundamental values.

The travails of the world economy since 1973 inspire nostalgic longings for Bretton Woods, or even for a single world currency. Other proposals would keep the floating rate regime while setting limits on fluctuations and formalising the responsibilities of nations to keep exchange rates within agreed bands. In Europe, the recent troubles of the exchange rate mechanism have dramatised such issues.

Here I shall argue for a different proposal, which I first advanced in 1978. An international uniform tax should be levied on spot transactions in foreign exchange (including deliveries on futures contracts and options). The proposal has two basic motivations. One is to increase the weight that market participants give to long-range fundamentals relative to immediate speculative opportunities. The second is to allow greater autonomy to national monetary policies, by making possible greater differences between short-term interest rates in different currencies.

At the time, I anticipated that the proposed tax would be superimposed on a regime of market-determined exchange rates with minimal official interventions. But the tax could also be helpful to systems involving interventions, from agreements on target bands to full restoration of Bretton Woods. It could also be useful as an adjunct to the ERM.

My proposal is a realistic, second-best option. A common currency works to great advantage when sustained by common institutions: free movements of goods, people, and financial capital; laws, courts, taxes, regulations, and customs; a uniform system of social security and other entitlements; assistance to regions and individuals suffering economic reverses. But a common currency is not viable without those institutions; even in Europe it may take a decade or two.

Fixed rates of exchange among national currencies, which central banks are committed to maintain by market interventions, are by no means an approximation of a single international currency. As long as parity changes are possible – and often they are inevitable – private agents will speculate on such changes. In this respect, a system of adjustable pegs of national currencies – for example, pegs to dollars or to gold – differs very little from a floating rate regime. The only difference is that adjustments of pegs occur in discrete and traumatic jumps. Anyone who believes that the shocks to the world economy since 1973 would have been less disturbing under a regime of adjustable pegs has a short memory.

Although a true worldwide common currency is decades premature, vast private funds are prepared to arbitrage away differences in national interest rates and to speculate on movements of exchange rates. My transactions tax is designed to make international money markets compatible with modest national autonomy in monetary and macro-economic policy.

A ½ per cent tax on currency transactions is equivalent to a 4 percentage point difference in annual interest rates on three-month bills, a considerable deterrent to those contemplating a quick round trip to another currency. The intent is to slow down speculative capital movements; it would be too small to deter commodity trade or serious international capital commitments.

In 1936, Keynes pointed out that a transactions tax could strengthen the weight of long-range fundamentals in stock market pricing, as against speculators' guesses of the short-rage behaviours of other speculators. The same is true for the foreign exchange markets. Vast resources of intelligence and enterprise are wasted in financial speculation, essentially in playing zero-sum games. A transaction tax might reallocate some of the resources. To the extent that it does not, it would at least produce needed government revenues without bad side-effects. It is estimated that more than $1,000bn in gross foreign exchange transactions occur every business day.

It is obviously necessary to have an international agreement on the tax. My suggestion is that the proceeds go to the World Bank, but other dispositions, including less altruistic ones, could be considered.

While the proposed tax would give national macro-economic authorities somewhat greater autonomy, it would certainly not permit them to ignore the international repercussions of their policies. The leading economies would still need to co-ordinate policies. In particular, they must agree a general level of world interest rates, while allowing for differences among countries appropriate to their national circumstances.

The author is Sterling professor emeritus of economics at Yale University

Pursuit of riches from among the rubble

A new generation of entrepreneurs is hoping to profit from the depressed UK property industry, writes Vanessa Houlder

One by one, the stars of the UK property industry have fallen to earth, leaving a trail of lost fortunes in their wake. Godfrey Bradman of Rosehaugh, and the Reichmann brothers of Canary Wharf, are just a few of the long list of casualties.

But as the dust begins to settle, attention is turning to the entrepreneurs who turn the devastation in the industry to their advantage. This is no easy task: in a rising market, anyone can look clever; in a falling market, few succeed.

After every serious downturn, the property tycoon has been declared extinct – only to reappear some years later. For the property business is capitalism in the raw: it allows people the chance to make – and lose – fortunes, far more rapidly than most manufacturing or service businesses.

The main ingredients of success are good contacts and negotiating skills. For this reason, many property entrepreneurs begin their careers as estate agents or chartered surveyors.

Michael Freeman, Argent Estates; Peter Freeman, Argent Estates; Martin Barber, Capital & Regional; Nick Leslau, Burford Holdings

Nick Leslau, a surveyor, is one of the new breed. Since joining Burford Holdings, a newly formed property company in 1983, when he was just 23, he has acquired a reputation in the City as an astute dealer. He sold at the top of the market and has bought at distressed prices over the past 18 months. Sales included Henrietta House in the West End in mid-1990; acquisitions have concentrated on small office and properties outside London.

Another surveyor who has ridden the ups and downs of the market with some skill is Michael Goldhill, 43. He worked as an estate agent until 1983 when he set up a property investment company. He sold it six years later at the peak of the market, and started again with a vehicle called Hemingway Properties, a fledgling investment company.

Solicitors can also cross the professional divide. Among the laywers-turned-entrepreneurs are Peter and Michael Freeman, two brothers who head Argent Estates, a private company with gross assets of £170m. After qualifying at D J Freeman, the family law firm, their first foray into the property world was in 1981 when they built an office building in Southampton with the help of £100,000 of family money.

Argent now occupies offices in the Albany in Piccadilly, a prestigious London address, and claims its corporate objective is to become "one of the largest and best-respected property companies in the country by 2000".

These investors are vulnerable to the charge that they have moved too early. Many critics think commercial property values will continue to fall for at least another year. By contrast, most buyers are convinced they are seizing an historic opportunity. Property, they say, is cheap compared with its historical cost.

"The market is turning. It is a marvellous time to set up a business," says Martin Barber, the 48-year-old chairman of Capital & Regional, another small property company which returned to the market in 1991, after selling much of its property in 1988. "The last three months of 1992 and the next six months of 1992 will be a window of opportunity."

When entrepreneurs have been successful at attracting capital, personal contacts have been all-important

But even those who believe property values are attractive admit that the odds are stacked against the newcomer.

First, opportunities are hard to come by, both in the development and investment markets. In development, newcomers have often started by assembling the site, obtaining planning permission and finding a tenant. An outside investor could then be brought in while the developer could retain some of the equity. But this avenue has been largely closed by the glut of property on the market.

Second, even in the investment market, investors complain that it is surprisingly difficult to find good-quality buildings at knock-down prices, despite the large numbers of property owners who need to sell to lighten their debt burdens. "It is almost inconceivable there are not some cracking bargains out there – but we haven't found them yet," says Leslau.

Another problem for a new property company without a strong asset base or a distinguished record is the difficult of attracting finance.

Mr Goldhill's first company started out with the help of £1m from "a dozen avuncular shareholders". It would be harder to find venture capital today, he says. "People in all sorts of business have lost a lot of wealth in recent years. They are more concerned with preserving their wealth than backing entrepreneurs."

When entrepreneurs have been successful at attracting capital recently, personal contacts have tended to be all-important. Hemingway attracted funds from some of the same institutions that backed Goldhill's previous property company, including Courtaulds Pension Fund and Clerical Medical & General. Argent Estates got an injection of £20m from US investors 18 months ago as the result of an introduction from an investment banker who lived next door to Peter Freeman.

Best placed of all are those investors who have substantial capital of their own. Among them is Jack Walker, patron of Blackburn Rovers football club and a former steel magnate, who has invested heavily this year in commercial property. The Tchenguiz family, entrepreneurs who moved from Iran to the UK after the fall of the Shah, has also invested substantial sums by buying properties such as Sea Containers House near Blackfriars.

The few established property men who emerged well from the 1980s are also potentially large deal-makers. Examples include John and Peter Beckwith, two Old Harrovians who received £40m each when they sold London & Edinburgh Trust, their development company, for £491m in April 1990.

One established figure who is gambling on a market upturn is John Ritblat, a rare example of an entrepreneurial chairman of a large quoted company. He runs British Land, which recovered from near-collapse in 1974 to become one of the largest and most daring property investment companies.

He shares a common characteristic of developers – the ability to put reserves of optimism, audacity and resilience into a well-timed comeback. Witness Ronald Lyons, a property veteran who presided over company failures in 1974 and again in 1983. This year, he has been discussing deals in eastern Germany with Godfrey Bradman, newly departed from Rosehaugh.

Not even personal bankruptcy need be a lasting deterrent. William Stern, the most spectacular casualty of the 1974 crash, who accumulated debts of £104m, had his bankruptcy suspended and was back in the market by 1988.

Such comebacks did not happen overnight, illustrating the protracted nature of the recovery from the 1970s crash. This time round, the decline has been steeper and the recovery is likely to be even slower. The entrepreneurs who are trying to buy at the bottom of the market could have an uncomfortable few years before their courage is vindicated.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Real nature of council tendering dilemma

From Mr Tom Flanagan.

Sir, Could I help to clarify the uncertainty surround employee rights on council tendering ("Disputes over employees' terms threaten council tendering plans", December 16)? Contracts of employment must be preserved by a successful tenderer if the EC Acquired Rights Directive or the Transfer of Undertakings Regulations apply.

To date, the main preoccupation has been with the regulations' requirement that the entity must be "in the nature of a commercial venture". This requirement is not in the directive and is becoming irrelevant.

However, for either the directive or the regulations to apply, there must still be an actual *transfer* of an existing economic entity.

This is a question of fact in every case, involving an analysis of what, if anything, is being transferred. There is no ideal checklist.

The government's insistence that the regulations do not apply to competitive tenders "as a general rule" is just another way of saying that most contracting out does not involve a transfer of anything. This is usually correct. Therefore, neither the regulations not the directive should apply.

Nevertheless, the European Court of Justice is applying the directive when it can and it is impossible to say that it will not apply it to more contracting out situations.

I can understand the local authorities' dilemma and can suggest that if they can show that they have made a reasoned decision that the regulations do not apply, because there is no "transfer" at all, then any resulting redundancy payments should not be *ultra vires*.

Tom Flanagan,
partner, head of employment group,
Booth & Co,
Sovereign House,
South Parade,
Leeds LS1 1HQ

Easing of Heathrow access may lead to air services pact

From Mr Stephen M Wolf.

Sir, Your editorial concerning the proposed British Airways investment in USAir ("Deal in the air", December 18) is right on the mark. It would be a sad day for international aviation if the US and UK miss this opportunity to break the log-jam on negotiations toward a liberalised agreement on air services.

You have correctly identified the Heathrow access restrictions for US air carriers as the primary obstacle to progress. We agree that if the UK government is willing to eliminate this barrier, the deal can indeed "be the trigger" for a liberalisation of transatlantic air services from which all would benefit.

Stephen M Wolf,
chairman and chief executive officer,
United Airlines Inc,
Chicago,
Illinois 60666
US

Offshore oil and gas industry confidence endangered

From J V Parziale.

Sir, In the debate on energy policy, the welter of detail on generating costs and similar matters has been the principal topic so far in the select committee and the media. Some larger issues are in danger of being obscured. These have a big bearing on Britain's offshore oil and gas producing industry, the enormous investments it represents and the employment it provides both offshore and onshore.

This industry is a large contributor to the UK economy, not only in balance of payments and tax revenue generation, but at the pragmatic level of industrial activity, development of new technology and jobs. All available figures, including the Department of Trade and Industry's, estimate that more than 3,000 companies throughout the UK benefit from offshore work. About 300,000 jobs onshore depend on this work, quite apart from the 30,000 who are regularly employed offshore. The capital spending programmes of oil and gas companies have for some years amounted to about one quarter of total UK industrial investment.

But it is an industry that depends heavily on confidence in the future. Offshore projects are planned with up to 25-year lives and undertaking exploration and subsequent production is a high risk business in which large sums are invested on the basis of sparse information. The industry's confidence in future political, fiscal and market policies is critical to planning its activities, particularly when – as at present – high operating costs in UK waters provide unfavourable economic comparisons with other international opportunities for investment.

Continuing development of Britain's gas reserves, and the investment and jobs that go with it, requires a consistent approach on the part of government and stable policies towards its momentum and growth. We believe there are sufficient reserves of UK gas to satisfy the nation's needs well into the next century.

These future opportunities will be put at risk if gas is regarded casually and mistakenly as a distant resource, always on tap, to be turned on or off by the short-term arguments of expediency. Continuity of offshore exploration and development will only occur in a climate of industry confidence in rational economic and political decision-making. It is this climate of confidence that may now be endangered.

J V Parziale,
president,
UK Offshore Operators Association,
3 Hans Crescent, London SW1

Story of the east still to be told

From Mr Ross MacDiarmid,

Sir, Samuel Brittan should be wary of lauding the "four tigers" – South Korea, Taiwan, Hong Kong and Singapore – too highly (Economic Viewpoint, December 17). I have recently worked in Taiwan for 18 months and government statistics from this part of the world are highly suspect. For example inflation in Taiwan was recently thought to be too high, so the index was changed and inflation was thus reduced – problem solved?

New technology is the motor of gross domestic product and in these economies – which are still at the "catch-up" state with the west – it is relatively easy to grow by importing foreign technology to a low-cost workforce. The hard part is developing new technologies beyond the bounds of existing foreign expertise and so far the omens are not good. Entrepreneurs are showing relatively little interest in new technological investment at home, preferring instead to shift low technology production to mainland China, Malaysia, Vietnam, etc. This has created a crisis in the form of huge capital outflows. The full story of the four tigers remains to be told.

Ross MacDiarmid,
barrister-at-law,
150 South End Avenue,
Apartment 11a,
New York, NT 10280, US

Looked at from another angle

From Ms Mary Berg.

Sir, I do not know how many of the other 80 women members of the Society of Business Economists share my view that "women" is not "the most pleasurable" way of losing their reputations (Observer: "Assumption", December 21). However, I think we would all agree that forecasting is the surest, especially forecasting exchange rates. Or is that included in gambling?

Mary Berg,
36 Great Percy Street,
London WC1X 9QR

OBSERVER

Where power disrupts . . .

■ These are trying times for west Berliners whose mains-powered electric clocks have been running haywire, losing up to 12 minutes a week.

After many a ticking-off from irate customers, the city's power company, Bewag, has at last identified the fault. Aiming to cushion west Berlin's previously independent system at peak times, the company decided to import power from the east European network.

It now transpires that Russian generating stations often diverge from the standard frequency of 50 cycles a second, with the result that clocks and such things as they govern in the old Comecon area have been inaccurate for the past 40 years and have to be adjusted weekly – if not daily.

True, that may not have mattered to managers less worried about their workers' time-keeping than about whether they would turn up at all.

It would seem that the Russians must have used quartz timers for their space launches. But alas, Bewag has no similarly sophisticated way of satisfying its customers' complaints.

Although charging the highest rates for electricity in Germany, it insists that wayward clocks are a small price to pay for increased power reserves until it can get round to rectifying the problem sometime in the middle of next year.

Energy loss

■ Reports are filtering through of a small contretemps in the normally peaceful senior common room of Chatham House, or the Royal Institute of International Affairs, to give Britain's premier foreign-policy think tank its proper title. Gerald Pollio, head of the important energy and environment programme, is on the way out after less than six months on the job.

While these types of personnel upheaval are not uncommon in big business, or US banking where Pollio comes from, they are highly unusual in such an egghead ambience.

Under Pollio's predecessor Jonathan Stern the institute made quite a name for itself in the energy and environment game. Its programme has twice as many corporate sponsors as any other. Hence a certain embarrassment at the programme chief's departure.

Chatham House high command is keeping mum. But one suggestion is that Pollio had had some difficulty making the transition from commerce to academe. If so, corporate sponsors might sympathise with him.

Hard cheese

■ A most un-Swiss row is boiling up between the olympian Union Bank of Switzerland and its largest shareholder, BK Vision, an investment trust formed last year by Martin Ebner's maverick Zurich securities house, BZ Bank.

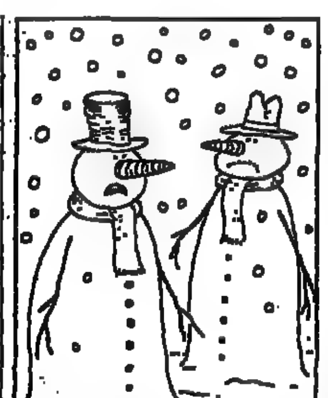
UBS threw down the gauntlet at the weekend by announcing that its board would not renominate to its ranks Christoph Blocher, the feisty right wing industrialist-politician who led the triumphant campaign last month against Switzerland joining the European Economic Area.

Blocher's sin, the bank hastened to clarify, was not his opposition to the EEA. His silencing of UBS chief executive Robert Studer at a public meeting during the EEA referendum campaign was also irrelevant.

It was his alleged advocacy of government regulation of mortgage interest rates and of bringing the Swiss central bank under parliamentary control that rankled the bosses at the country's largest bank.

What is the connection between Blocher and BK Vision? None directly, but Blocher and Ebner are known to be close business associates. And Ebner, with nearly 4 per cent of UBS voting stock behind him, likes to talk about shareholder rights and the importance of having dissent on company boards.

Blocher has kindly prepared the ground for his friend. "I am not prepared to stand down voluntarily," he says defiantly.



'I can't wait for the green shoots of recovery'

Return visitor

■ News that the Courtaulds Textiles pension scheme was handing back part of its huge surplus should come as no surprise to professional pension fund watchers.

In an industry which worships the average, Courtaulds in-house pension fund has always been the odd man out. It has prospered by not following the herd.

John Evans, the current manager, has never been to a National Association of Pension Funds annual conference, and as he's now 58, he has no intention of starting now.

His name does not appear in City directories and he is not as well known as his two predecessors, Alastair Ross Goobey, who is about to run PosTel, and Matthew Oakeshott, who left to set up Olim, his own money management firm.

However, Evans has been around longer than both of them. He first managed Courtaulds pension money in the mid-1970s before joining Oliver Marriott – author of The Property Boom – in the property business. He returned in 1986.

Evans plays down the difficulties in-house pension schemes have in paying enough to recruit the best investment managers. His team can concentrate on investing and doesn't have to waste time trying to win new clients.

But more important are his pension fund trustees whom he describes as "challenging and sympathetic". Whereas outside managers are ruled by quarterly valuations, Evans is able to take a longer term and often contrarian view. He has made money investing in unfashionable parts of the property market when others lost their shirts. "You have to earn this privilege, but once earned, it can become a virtuous circle," he says.

Clark can't

■ What kind of bird does Superman have for Christmas? A canon.

FINANCIAL TIMES
Tuesday December 22 1992

Early returns show Milosevic heading towards victory

Panic alleges widespread fraud in Serbian presidential elections

By Laura Silber in Belgrade

MR MILAN PANIC, the Yugoslav prime minister, yesterday alleged widespread fraud in Sunday's Serbian presidential elections as early returns indicated that the incumbent, Mr Slobodan Milosevic, and his nationalists were *headed towards victory*.

Unofficial and partial results showed that Mr Milosevic had received 56 per cent compared with Mr Panic's 33 per cent with about 10 per cent of the vote counted.

Mr Ivica Dacic, spokesman for Mr Milosevic's Socialist party, said: "We are confident that Milosevic is convincingly ahead of Panic and that he will win in the first round."

Mr Panic's office claimed, on the basis of exit polls, that the Yugoslav-born California businessman was *still ahead of Mr* Milosevic. But Serbia's Socialists and the allied ultranationalist Serbian Radical party appeared to be leading the poll for the Serbian and *federal parliaments*.

The Socialists last night even claimed Mr Milosevic had defeated Mr Panic in Belgrade, the Serbian and federal capital, an opposition stronghold.

Mr Panic said he would seek an annulment of Sunday's ballot and demand a rerun within 90 days. He said the election committee had counted ballots for the presidential race in local municipalities instead of sending them to the central electoral committee where observers were present.

A team of observers from the Conference on Security and Co-operation in Europe backed Mr Panic's claims of election irregularities. "The electoral process was seriously flawed," said a *statement of the CSCE elections* mission. Observers, opposition leaders and diplomats all reported numerous cases of people's names being deleted from voter registers, ballot box stuffing and unsealed ballot boxes.

Diplomats said that the slow count could indicate irregularities. By last night, Serbia's electoral commission had not given the turnout for the vote.

"The elections were not fair. But we have to wait until they announce the results," said a foreign observer speaking on condi*tion of anonymity*.

Foreign observers said the race was unfair from the start because of the bias of Television Serbia under the control of Mr Milosevic.

The Serbian presidential race overshadowed parliamentary, federal and local elections in Montenegro. The two republics together claim the mantle of former Yugoslavia, which is not recognised internationally.

● Mr Douglas Hurd, the British foreign secretary, yesterday warned that time was running *out for Serbia to make "rapid and* radical" changes to end its aggression or face total isolation in the international community.

Speaking after a meeting of European Community foreign ministers, he said he expected the UN Security Council to pass a resolution providing for enforcement of a no-fly zone over Bosnia.

Mr Hurd said there would be a delay in enforcement while the UN tested whether the Serbs intended to comply.

Background, Page 2

Residents of Sarajevo queue for water. The Bosnian capital has been without a regular supply for weeks

UK court rules pit closures unlawful

By Our Industrial and Political Staff

THE High Court dealt the British government's coal programme a severe blow yesterday by ruling that its decision to close 31 pits last October had been conducted unlawfully.

The ruling caused jubilation among mineworkers, and provoked a call from the Labour opposition party for the resignation of Mr Michael Heseltine, trade and industry secretary. However it seemed unlikely to lead to an early resumption of mining at 10 pits where work is being stopped.

Lord Justice Glidewell and Mr Justice Hidden found that the government and British Coal "unlawfully and irrationally" ignored the right of mineworkers and trade unions to be consulted over pit closures.

The judges also quashed Mr Heseltine's decision six days later, as a result of the public outcry, to close only 10 pits after a 90-day consultation, and to subject the remaining 21 to a review.

The judges, who were ruling on an appeal against the closures by the mining unions, found that the lack of consultation broke the UK Employment Protection Act 1975 and possibly also breached EC law. Miners' rights are contained in the modified colliery review procedure (MCRP) which was set up in 1985 after the last coal strike. But it was suspended by British Coal in October in *order to speed up the closures*.

The judges said: "British Coal shall not reach a final decision on the closure of the 10 collieries, nor shall the president make available funds which would enable British Coal to make such a decision, until a procedure substantially the same as MCRP, including some form of independent scrutiny, has been followed in relation to each of the 10 collieries." The consultations being used for the 21 pits might be incorporated into the procedure, they said.

British Coal said it was considering an appeal. It also indicated that it would study the ruling, which took three hours to read out in the court, before deciding the future of threatened pits. The ruling was about the process for shutting down mines, not about the legalities of mine closures.

The ruling was welcomed by some Conservative MPs, and deepened the government's embarrassment over the closures. Many Conservatives, including ministers, believe a reprieve for several of the 31 pits is now inevitable. Mr John Major, the British prime minister, hinted at a retreat during an interview on BBC Radio 4, saying the government had an open mind.

Union leaders hailed the decision as the most significant legal victory for organised labour since the 1970's. Mr Arthur Scargill, leader of the National Union of Mineworkers, called for Mr Heseltine's resignation.

Mr John Smith, the Labour party leader, stopped short of calling for resignations, but wrote to Mr Major asking for the 10 pits which were closed to be included immediately in the gov*ernment's energy review*.

Mr Heseltine rejected talk of resignation, saying that he had accepted British Coal's advice that consultations about the closures would not be necessary.

Japan announces stimulatory draft budget

By Robert Thomson in Tokyo

JAPAN'S finance ministry yesterday published a draft bud*get for the 1993-94 financial year* that attempts to balance an expected fall in tax revenues with the need to increase public spending and stimulate an ailing economy.

The draft, which provides for an austere 0.2 per cent increase in total outlays but a 4.8 per cent rise in public works spending, was approved at a cabinet meeting yesterday and will be debated by the government until the end of the week.

Some estimates will change because of the debates, but the draft, hailed as "stimulatory" by the ministry, is the guide to Japanese government spending for the fiscal year beginning in April.

Outlays in several areas, *including pensions and agricul*tural subsidies, are to fall, while defence spending is to rise by 1.7 per cent, the smallest increase since 1960. Overseas aid spending is scheduled to rise by 4.7 per cent and social welfare outlays by 2.9 per cent, the smallest increases in both sectors since 1987.

The ministry said that while outlays in most areas were restrained to a degree unprecedented in recent years, public works spending was increased.

Business organisations welcomed the emphasis on public works spending, but Mr Masaru Hayami, head of the Association of Corporate Executives, said the ministry's calculations might be *flawed because they are based* on an "overly optimistic" forecast of 3.3 per cent growth next year.

Meanwhile, the so-called second budget, the annual estimates of the Fiscal Investment and Loan Programme, which gets its funds from government-affiliated financial institutions, provides for a 12.4 per cent rise in public works-related spending, compared with a 10.8 per cent rise in the current year.

Mr Robert Feldman, economist at Salomon Brothers in Tokyo, said the budget was "definitely expansionary" and almost certain to be supplemented by a special budget package in fiscal 1993.

Finance ministry officials said the budget was not drafted with *Washington in mind*, but that US officials should conclude Japan was doing everything possible to revive the domestic economy and aid international growth.

The ministry expects the slowing of the economy to lead to a 1.9 per cent fall in tax revenues. As a result, construction bond issues are scheduled to rise by 11.7 per cent to cover the deficit, and debt paper as a percentage of the general account revenue will rise from 10.1 to 11.2 per cent.

Money supply, Page 3
Editorial Comment, Page 10

Government to cover bomb damage

Continued from Page 1

The Treasury and Mr John Major, the prime minister, were cautious about the signal it might send to terrorists. But Mr Heseltine appears to have persuaded them that the market alone could not deal with the problem. Downing Street described the result as "predomi*nantly commercial*".

There was little suggestion in government *circles* that Mr Heseltine's description of the measures as "temporary" should be interpreted as involving a time limit. Officials said only that the government did not want to help companies "for ever and a day".

Mr Tony Baker of the ABI said there was no possibility of policyholders being left "high and dry" *by any sudden suspension of the* new arrangements.

Ministers have been acutely sensitive about the possible propaganda advantage to the Irish Republican Army of any retreat by the government – or of any moves which might be interpreted by the IRA as making their bombing campaign a direct challenge on the government.

There has been annoyance among government officials over *the high-profile tactics adopted* by the insurance companies.

EC hotline

Continued from Page 1

Ecas interpretation of EC treaty-rules that all controls should go, but appears to have dropped the immediate threat of legal action against member states which maintain passport checks.

Ecas, Rue Defacqz 1, 1050 Brussels, Belgium. Frontier control hotline (available January 4-8): Brussels 534 8325 (telephone), 534 5275 (fax).

World Weather

		°C	°F
Ajaccio	F	16	61
Algiers	S	20	68
Amsterdam	C	3	37
Athens	S	13	55
Bahrain	F	21	70
Bangkok	F	33	91
Barcelona	C	13	55
Beijing	S	1	34
Beirut	F	14	57
Belfast	C	5	41
Belgrade	C	-1	30
Berlin	C	2	36
Biarritz	S	14	57
Bombay	S	32	90
Bordeaux	S	13	55

		°C	°F
Boulogne	C	3	37
Brussels	Dr	2	36
Budapest	Fg	-1	30
Buenos Aires	F	29	85
Cairo	F	14	57
Cape Town	S	22	72
Caracas	F	28	82
Casablanca †	F	18	64
Chicago †	S	-8	18
Cologne	C	3	37
Copenhagen	S	1	34
Corfu	S	13	55
Dallas †	C	5	41
Dublin	C	6	43
Dubrovnik		–	
Edinburgh	C	0	32
Faro	C	15	59
Florence	F	11	52

		°C	°F
Frankfurt	C	5	41
Geneva	C	4	39
Gibraltar	C	15	59
Glasgow	Sn	0	32
Helsinki	S	-1	30
Hong Kong	S	27	81
Innsbruck	F	1	34
Inverness	F	1	34
Islamabad	F	19	66
Istanbul	S	7	45
Jakarta	R	31	88
Johannesburg	F	27	81
Lisbon	R	13	55
London	S	5	41
Los Angeles †	S	8	46
Luxembourg	Fg	5	41
Madeira	C	16	61
Madrid	F	8	46

		°C	°F
Majorca	S	17	63
Malaga	F	16	61
Malta	S	18	64
Manila	F	33	91
Melbourne	C	17	63
Mexico City	F	27	80
Miami †	S	19	66
Milan	C	4	39
Montreal †	S	-12	10
Moscow	Sn	-4	25
Munich	R	7	45
Nairobi		–	–
Naples	F	13	55
Nassau	F	27	80
New Delhi	S	20	68
New York †	S	1	34
Nice	S	12	54
Nicosia	F	14	57

		°C	°F
Oporto	F	14	57
Oslo	S	-6	21
Paris	C	7	45
Prague	Fg	0	32
Reykjavik	S	1	34
Rhodes	S	13	55
Rio de Janeiro	F	37	99
Rome	S	15	59
Salzburg	F	5	41
S'Francisco †	C	9	48
Seoul	C	3	37
Singapore	F	30	86
Stockholm	S	-4	25
Strasbourg	F	7	45
Sydney	S	27	81
Taipei	F	26	79
Tangier	S	16	61
Tel Aviv	C	12	54

		°C	°F
Tenerife	F	14	57
Tokyo	S	12	54
Toronto †	F	-6	21
Tunis	S	17	63
Valencia	F	14	57
Venice	F	2	36
Vienna	C	0	32
Warsaw	F	1	34
Washington †	S	1	34
Zurich	R	4	39

Temperatures at midday yesterday
† Noon GMT temperatures
C—Cloudy Dr—Drizzle
F—Fair Fg—Fog H—Hail
R—Rain S—Sunny
Sl—Sleet Sn—Snow
T—Thunder

THE LEX COLUMN

Protected returns

European Community foreign ministers failed to make up their minds on whether to upgrade the EC's trade policy armoury yesterday. But there is no mistaking the increase in protectionist pressure as completion of the single market draws near. Adding to the fear that EC companies would be unable to stand increased internal competition without extra external protection is worry about imports flooding in from eastern Europe.

The risk of Fortress Europe would diminish if Sir Leon Brittan were to assume responsibility for trade policy in the new Commission. Yet anti-dumping will be one of the few trade policy instruments left in the single market. There is a natural desire to make it easier to use. Which raises the question of the impact of protection on corporate earnings.

Conventional wisdom says the larger benefit usually accrues to the *efficient foreign exporter whose goods* are being targeted. This company pockets extra margin. The protected company suffers from reduced growth at home as prices consumers must pay *are raised. It also has less incentive to* rationalise.

Restrictions on consumer electronics imports did little for Philips. Its shares underperformed Matsushita by more than 20 per cent in the last 10 years. The evidence, though, is far from clear-cut. Peugeot outperformed Honda by a factor of eight over the same period. GEC outperformed Mitsubishi Electric by 8 per cent, admittedly thanks to a steep relative improvement since 1990.

Then again, such comparisons are crude. Perhaps more competition inside the single market will offset the indolence induced by protection. It is easy to forget that a combination of tough domestic competition and external protection helped Japanese companies succeed in the 1980s.

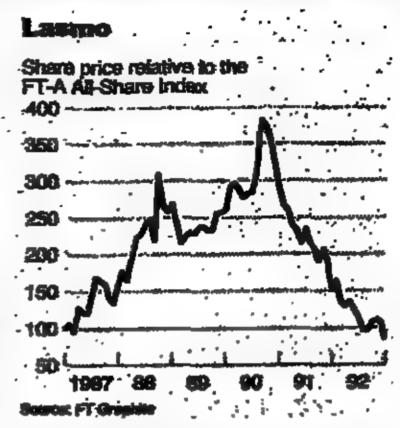
Lasmo

To be charitable, Lasmo's disposal of peripheral assets at least demonstrates *that oilfields can still fetch reasonable* prices. Lasmo has also continued to cut deals in a difficult market. And the company has raked in some much-needed cash, giving the management more leeway to maintain its final dividend if it so desires.

Yet, however helpful, pulling in $145m will not lift the company's heavy debt burden. Exploration and development spending will fall next year, but Lasmo must still make further disposals if borrowings are not to rise once more. That underlines the conundrum *facing* the company, which was caught with high gearing when asset values started to fall. Its most saleable assets are precisely those which would provide the *short-term cash flow to service its debt* burden. So to cut its gearing, the company is selling part of its future.

The bind is all the tighter because crude oil prices show little sign of rising above $20 a barrel. As a result the oil industry is having to cut costs sharply. Efficiency gains from integrating Ultramar are needed if Lasmo is simply to stand still. Short-term prospects for the share price may be torn between the attractions of a 7.5 per cent yield, and fears that the payment cannot be sustained forever. The company really needs a buoyant oil price.

FT-SE Index: 2807.7 (+18.0)



UK pensions

That Courtaulds Textiles can afford to take a slice out of its pension fund surplus after three years of generally *lousy investment returns testifies to* nimble fund management. Actuarial valuations of most company pension funds are unlikely to be so kind. Many will reveal dwindling surpluses, marking the end of contribution holidays. That means an unwelcome demand on cash flow for some companies. But it could be good news for the equity and bond markets as a whole.

One side of Courtaulds Textiles' arrangement takes £32m out of the pension fund – invested predominantly in UK equities – and passes the cash into company coffers. Too many similar instances would have an uncomfortable impact on institutional cash flow. Courtaulds Textiles is by no means unique. Its sister chemicals company has accumulated an equal embarrassment of *riches. But higher* contributions from companies reaching the end of pension fund holidays are likely comfortably to offset the cash withdrawals of companies in the *same position* as Courtaulds.

Whether any company should be sharing out its pension fund surplus while the investment outlook is so uncertain is another matter. In Courtaulds Textiles' case, the action looks justified because by bringing the surplus below the government threshold the fund avoids paying unnecessary tax. Since the fund still shows a modest surplus on the government actuary's gloomy assumptions – including dividends declining by 1.8 per cent a year in real terms in perpetuity – it is hard to argue that benefits have been put at risk.

Lucas

It is perplexing that Lucas, which constantly lauds the virtues of the long-term approach, should choose to sell its fluid power systems business near the bottom of the cycle. Although the disposal was flagged in the company's latest annual report, Lucas is jettisoning a long-established company just when it might flourish from a US recovery. The suspicion remains that the disposal programme is motivated more by a desire to maintain the dividend than to preserve long-term value. The sale may realise a useful £30m. Further asset sales could bring total disposal proceeds to £100m by the financial year-end.

Lucas argues that an earnings recovery *will enable it to preserve the* payout this year. But it is difficult to see from where the necessary uplift will come. Prospects for the aerospace arm remain unfathomable given its *dependence on the stricken* defence sector. The automotive side will continue to suffer from the travails of the truck market and the downwards lurch among German carmakers.

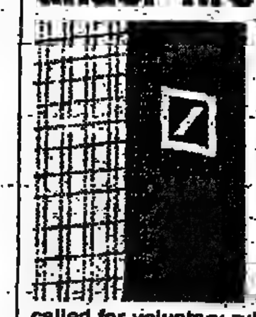
Still, Lucas undoubtedly retains a powerful position in these markets. And with margins of only 1 per cent on sales of £2.3bn it possesses considerable recovery potential. The question remains: who will best realise it? Management may have decided that a hasty sale of the family brass is the best defence against the much-rumoured bid. The problem is that without a bid premium, Lucas's shares look unduly heavy.

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday December 22 1992

INSIDE

Corporate Germany under fire



Two weeks ago Calpers, the big US pension fund, denounced the voting restrictions in place at dozens of leading German companies. Last week Mr Christian Strenger, chief executive of the investment management arm of the Deutsche Bank and Germany's largest fund management group, called for voluntary rules to govern takeover activity in Germany. Page 14

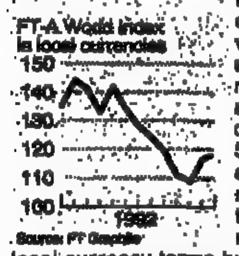
Lucas raises £30m by disposal

Lucas Industries, the car and aerospace components maker which plans to raise £100m ($152m) through disposals by next August, yesterday announced the sale of its fluid power systems division to Sophus Berendsen of Denmark. The division is the largest of four put up for sale by Lucas in October in an effort to focus on core businesses. Page 17

Deck the hall with whips of holly

There is a belief that to be soundly thrashed with holly branches is the finest possible cure for chilblains. Furthermore, in some parts of England and Germany it is believed that if rough, prickly holly is brought into a house the husband will dominate the home for the year ahead. If the holly has smooth leaves and few prickles, however, the wife will rule. David Richardson writes about Britain's only professional holly grower. Page 20

Ireland comes to the fore



Source: FT Graphite

The FT-Actuaries World index shrugged off bad corporate news last week, and there were some strong performances from Ireland and Singapore. Ireland came to the fore with a 5.8 per cent rise on expectations of a currency devaluation. Over the last quarter, it has risen some 7 per cent in local currency terms but is 12 per cent down on the year. Back Page

Fund manager ahead

Ivory & Sime, the UK fund management group, has announced an 8.5 per cent rise, from £2.09m ($3.17m) to £2.27m, in pre-tax profits for the six months to October 31. Page 19

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Colonia Konzn Pf	405	+	19
Daimler-Benz	524	+	14.5
GEHE	371	+	21
Lahmeyer	596	+	18
Porsche	436	+	18
Pinault	296	+	11.1
Falls			
Zanders Feinpp	200	−	6
Accil Entrepr	381	−	24
Finextel	117.6	−	4.4
Moulinex	86	−	4.8
Roussel-Uclaf	405	−	17

NEW YORK ($)

Rises			
Ross Cosmetics	11¼	+	1½
Time Warner	29¼	+	⅞
Falls			
IBM	49½	−	1⅞
Ivax	30⅝	−	4¼
Nat Health Labs	16½	−	8¼
USAir	12	−	1

PARIS (FFr)

Rises			
Cogifi	340.5	+	37

TOKYO (Yen)

Rises			
Fujita Kanko	2190	+	160
Isuzu Motors	317	+	27
Jidosha Buhin	254	+	30
Falls			
Chuo Build Ind	370	−	35
Hotta Textile	170	−	15
Yokohama Matsu	490	−	85

New York prices at 12:30.

LONDON (Pence)

Rises			
Barr & WAT A	189	+	15
Buntzl	122	+	6
Dawsongroup	123	+	9½
European Motor	105	+	9
Evans Halshaw	200	+	12
First Nat Fin	59	+	7
Hall Eng	118	+	13
Intercare	186	+	8
Ivory & Sime	128	+	16
Lasmo	151	+	9
Lopex	22	+	5
Mallett	54	+	9
Metalrax	115	+	7
Mora O'Farrell	164	+	21
New London	6⅛	+	1¼
Queens Moat	42	+	4
Ralston Inv	48	+	7
Savoy A	633	+	73
SelecTV	21½	+	3½
Shandwick	9½	+	1½
Tay Homes	159	+	12
Transfer Tech	341	+	23
Falls			
Pentos	82	−	3½
Victoria Crpt	93	−	9

Novell to purchase Unix for $350m

By Louise Kehoe in San Francisco

NOVELL, the largest publisher of software that links computers on networks, has signed a letter of intent to acquire Unix Systems Laboratories, an AT&T unit responsible for the licensing and development of the widely used Unix computer operating system.

The proposed $350m acquisition will have profound implications for vendors and users of "open systems" computers. It also signals an intensifying battle between Novell and Microsoft, the world's largest software company, over control of the market for operating systems and networking software.

USL is 77 per cent owned by AT&T, which formed the unit in 1991 in response to rising concerns about AT&T's control over development and licensing of Unix, which has become the standard operating system for "open systems" in which computers from different manufacturers work together.

AT&T encouraged other computer and software companies to acquire minority stakes in USL to provide them with a measure of control over the development of Unix.

Novell already owns 5 per cent of USL and 11 other computer-industry companies together own 18 per cent. The deal has been approved by the boards of Novell and AT&T, but it has not yet been approved by the other Unix System Labs owners, which include Amdahl, Fujitsu, ICL, Motorola, NEC, Sun Microsystems, Oki Electric, Olivetti and Toshiba. Initial reactions from these ranged from "neutral to positive" said Mr Roel Pieper, president and chief executive of USL.

The acquisition was prompted by Novell's desire to accelerate adoption of the Unix operating system and to "commercialise" the processes of developing and distributing Unix products, said Mr Raymond Noorda, president and chief executive of Novell.

Novell also appears to be anticipating the competitive challenge to Unix of "Windows NT," a new version of Microsoft's popular "Windows" operating system expected next year.

For AT&T and other USL shareholders, the exchange of shares will be tax free. Based on current Novell stock price, AT&T expects to recognise a gain in excess of $100m and will own about 3 per cent of Novell's stock.

Alan Friedman on the prospects for Time Warner after Steve Ross

Media group faces life beyond the cult of personality

THERE was something unseemly about the way the board shake-up at Time Warner was announced just hours after the death on Sunday of Mr Steve Ross, the 65-year-old chairman and founder of the world's biggest media and entertainment group.

Yesterday, as the company mourned the loss of Mr Ross, reports filtered out of Time Warner of an internal clash that had led to the removal of some of Mr Ross's closest friends.

Among those said by executives to have been distressed by the developments were Mr Martin Payson, the Time Warner vice-chairman who resigned from the company as well as from the board; Mr William vanden Heuvel, who hung on to his board seat but is expected to lose it next spring; and Mr Arthur Liman, the lawyer who was not a board member, but was a close friend and adviser to Mr Ross, handling a large volume of legal work for Time Warner.

Mr Gerald Levin, the president and chief executive of Time Warner who is expected to eventually succeed Mr Ross as chairman, tried to put a brave face on the board changes, which will reduce the number of directors from 21 to 12 and are aimed at recruiting more outside members.

The board reduction was the last step in a lengthy review process that he, Mr Ross and outside directors began last September, Mr Levin declared.

But Mr Geoffrey Holmes, a senior vice-president of Time Warner who was privy to the decisions, admitted the timing of the announcement was "extremely unfortunate" and noted "it was just a question of should we do it now or wait a couple of days".

The board changes appear to favour the Time side of the group and they have re-ignited speculation about the disparate corporate cultures of the staid Time and the free-wheeling Warner – the two sides that came together three years ago in a controversial $14bn merger. The company claims talk of such cultural divisions is exaggerated.

Whatever the case, it is clear that Time Warner faces a number of more material challenges as it begins a new era without its charismatic founder.

Chief among these is the need for Time Warner to become more corporate in its top-level management and decision making and less a cult of personality.

On the financial side, Wall Street has been promised that Time Warner will come to terms with its $9bn debt burden, a residue of the 1989 merger, and reduce it by selling off assets.

In strategic terms the company is still searching for more international partners to buy into its Time Warner Entertainment (TWE) subsidiary, which last year obtained only $1bn for a 12.5 per cent stake from Toshiba and C. Itoh of Japan – half the level desired by Mr Ross.

Finally, it has yet to be shown at Time Warner – as at other companies such as the Sony group – that the various components can produce synergies that go beyond rhetoric and make solid contributions to the bottom line.

Mr Ross's goal was to build a media and entertainment giant with global clout and prime market positions in the Hollywood film industry, recorded music and publishing (including the Time magazine flagship) as one of the biggest US cable television operators and as a successful programmer for cable through the Home Box Office (HBO) division. This he did, and the company is expected to close 1992 with $14bn of revenues and profits in all divisions.

The film division is likely to make $400m of operating profits, up from $390m last year; the music business should produce $580m of operating income, against $560m; HBO should achieve $215m, up from $195m; the cable operations could earn nearly $1bn in 1992, against $872m last year; and publishing should yield $330m, compared to $246m in 1991.

Mr Alan Grubman, a leading US entertainment lawyer who knew Mr Ross well, yesterday called the late Time Warner chairman "one of the great pioneers of the modern entertainment industry, along with people like William Paley".

Yet Mr Ross – a silver-haired extrovert with an affinity for glitz – was an entrepreneur who suffered from the same problems as many company founders. As one of his friends put it: "Steve ran the company as a family. So no matter how screwed up it was he would never sell off one or two of his children. I think he had a terribly difficult time trying to deal with selling assets. Founders of companies usually don't want to let go."

The need to reduce the debt has been apparent for the past two years, especially as merger-related special dividend payments have consistently resulted in net losses despite strong operating profits.

Mr Levin and the new managers of Time Warner are likely to be able to dispose of assets in a way Mr Ross could not because he was so emotionally tied to Time Warner holdings.

The Levin team has promised to seek to reduce the debt by $3bn by selling off non-strategic assets over the next three years.

Mr Holmes yesterday said debt reduction was a top priority for the management team and acknowledged that in announcing planned asset sales recently, he was also seeking to reassure investors who are not satisfied with the price of Time Warner's stock. "We're not happy with the stock performance either," he said.

Mr Holmes also said more international partners are being lined up, and could be announced during 1993. While alliances are useful for the distribution of entertainment products and to generate more non-US revenues, they are also sorely needed to bring in cash to lower the company's debt.

There is no easy answer to the question of achieving strategic synergies; regardless of how sceptical outside observers may be, companies as diverse as Time Warner, Sony, Matsushita and Bertelsmann all believe that pooling different entertainment businesses will yield economies of scale and profits in the future.

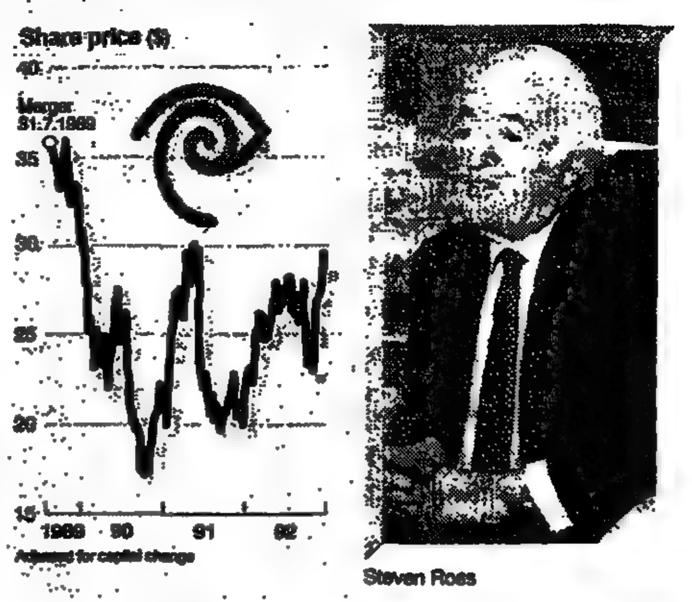
As for a new style of management, Time Warner insiders claim Mr Levin is firmly in control and they point out that the company's decision-making process has become much less personality-driven since Mr Ross was sidelined a year ago by treatments for prostate cancer.

The 52-year-old Mr Levin hails from the Time side, was a prime architect of the 1989 merger accord and yet is described by insiders as a man who is committed to Mr Ross's vision of the group as a global force in entertainment.

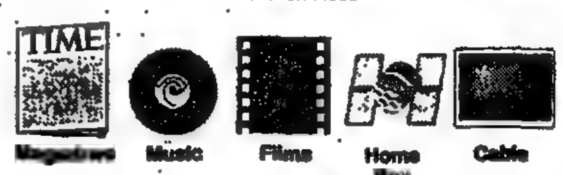
Mr Liman stressed yesterday that "Steve hand-picked Gerry Levin as his successor".

The most lasting legacy of the the passing of Mr Ross may be that it enables the company he founded to make a series of difficult decisions without regard to sentiment or emotion. This was acknowledged yesterday by a Time Warner executive, who none the less noted that "things will still never be quite the same".

Shape of the empire



Steven Ross



	Magazines	Music	Films	Home Box Office	Cable
Revenue ($m)	3,021	2,960	3,065	1,386	1,935
Operating profit ($m)	174	256	207	183	354

Source: Datastream & company reports. Year end Dec 31, 1991

Ciga sells control of Italian hotel arm

By Haig Simonian in Milan

CIGA, the heavily-indebted international hotels group controlled by the Aga Khan, is selling majority control of its Italian hotel-owning arm in an eleventh-hour attempt to reduce borrowings in time for a year-end deadline with its bankers.

However, the L301bn ($218m) sale of 51 per cent of Ciga Immobiliare, the subsidiary owning the group's Italian hotels, is subject to agreement from creditor banks.

Ciga is selling the stake to Situr, a fast-growing private-sector Italian property development and entertainment group, which already has a variety of travel and tourism interests.

Situr will buy into Ciga Immobiliare via a capital increase.

Separately, Ciga will purchase the 49 per cent share in Ciga Immobiliare Sardegna, its Sardinian property subsidiary, currently owned by Fimpar, the Aga Khan's listed holding company. CIS will then be sold on to the Aga Khan and Situr.

The Aga Khan, who was the main force behind the tourist development of Sardinia's Costa Smeralda where the CIS assets are based, will buy 80 per cent of the company, with the remainder going to Situr.

Fimpar will make L85bn from the sale, while the remaining proceeds will go to Ciga Immobiliare, by then majority-owned by Situr.

The complex transactions should reduce Ciga's group debt from almost L1,000bn at present to L330bn.

The reduction will come through the cash injection from Situr and by the removal from Ciga's balance sheet of borrowings by Ciga Immobiliare.

A further slice of debt will be lifted following the Aga Khan's agreement to convert into equity L61bn of Ciga convertible bonds by the end of this year.

The company stressed the agreement would not affect its ownership of its foreign hotels, or management of any hotels in the group.

As part of the deal, Ciga is expected to sign some form of leaseback arrangement with Situr.

Ciga said turnover of its hotels division should rise to L440bn this year from L404bn in 1991. The company gave no profits forecast for the year. Last year, it lost L98.9bn, while Fimpar, which owns 50.01 per cent of Ciga, lost L65bn.

BfG deal faces disruption threat from Fondiaria

By Christopher Parkes in Frankfurt and Haig Simonian in Milan

THE DIFFERENCES over plans for Crédit Lyonnais to take control of Germany's BfG bank have been resolved, Aachener und Münchener Beteiligungs (AMB), the German insurance group, claimed yesterday.

However, the deal seemed threatened with further disruption as Fondiaria, the Italian insurer with a 20 per cent stake in AMB, was reported to have called for a vote of no confidence in Mr Helmut Gies, chairman of AMB's supervisory board, at a weekend meeting.

AMB officials did not deny the report, which included claims that Fondiaria had asked for an extraordinary shareholders' assembly on December 30 to be postponed "on material and legal grounds". If shareholders approve the resolutions at the meeting, Assurances Générales de France (AGF) will gain a blocking stake in Germany's second-biggest insurer, Crédit Lyonnais will win a foothold in the top ranks of German banking, and AMB will rid itself of its barely-profitable banking subsidiary.

Meanwhile, the German insurer, with 51 per cent of BfG, insisted an agreement on the deal would be signed before Christmas. The extraordinary assembly to approve the transaction would be held as planned, despite rumours of possible postponement, AMB added. The meeting would also be asked to bless another, linked, agreement, reached earlier this year, under which AGF is to be granted full voting rights on its 25 per cent stake in AMB.

AGF, the state-owned French insurance group, acted as broker in the deal with Crédit Lyonnais. It accepted the role as part of a peace settlement with AMB, which had hitherto viewed AGF's holding as hostile and had withheld full voting rights on its stake.

Fondiaria, which yesterday refused to comment on the weekend meeting, entered enthusiastically into its relationship with AMB. But plans to form a three-way alliance of independent European insurers, including Britain's Royal group, have been left increasingly to one side as a result of AGF's growing involvement with the German concern.

Ferruzzi, which jointly controls Fondiaria, is believed to be unhappy with its profitability.

Groups face tax rise under treaty

By Andrew Jack in London

MANY multinational companies will be forced to restructure their operations or face substantial tax rises under a draft treaty between the US and the Netherlands.

Tax on dividends and interest payments from US-based businesses owned through a Dutch holding company could increase sharply. Foreign investors in the US who channel funds through Dutch companies to reduce the tax burden are also likely to be affected.

The details are contained in the revised US-Dutch tax treaty negotiated over 11 years, which was approved by both governments last week and could be ratified by the US Senate and the Dutch parliament for implementation as soon as January 1994.

It comes after pressure for reform of the existing treaty by the US government, which has been concerned at the use of Dutch holding companies to avoid US tax liabilities.

Mr Bruce Lassman, head of the US tax desk at accountants Ernst & Young in London, said: "Many, many companies will be forced to restructure their operations."

Mr Duncan Bratschell, group tax manager at Thorn-EMI which has a series of Dutch companies, said: "We have done certain things to mitigate the effect [of the treaty] in the past. But this is one they have kept very close to their chests."

Royal Dutch Shell said its lawyers were still studying the agreement but believed it would not have much impact on the company.

The treaty will increase US withholding taxes on dividends to Dutch companies from 5 per cent to 30 per cent, and on interest payments from zero to 30 per cent unless the Dutch company can satisfy new requirements.

That will substantially reduce the scope for UK and other investors to use Dutch companies to take advantage of differences in international tax regimes and offset or "blend" tax liabilities against each other before remitting them home.

The treaty is particularly important for UK multinationals, because there is no facility for them to offset these taxes once they have been remitted to the companies in the UK. It will also affect investors from many countries without US tax treaties, such as Hong Kong, the Middle East, South Africa, and Central and South America.

Snecma issues warning of heavy loss for year

By Alice Rawsthorn in Paris

SNECMA, France's state-controlled aircraft engine maker, yesterday warned that it would make a substantial loss in 1992 and that it saw no prospect of a return to the black next year.

Mr Gérard Renon, chairman, said the group had been badly affected by the problems of its customers in the civil aviation industry and by the general economic slowdown. Snecma specialises in the production of engines for Airbus jets in both the civil and military sectors.

The chairman, who recently announced a first-half loss for the company, forecast continued losses for the second half of this year. This would produce an overall loss of around FFr600m ($112m) for 1992, significantly higher than 1991's loss of FFr68m. Snecma lost FFr302.75m on consolidated sales of FFr6.1bn in the first six months of this year.

Mr Renon also warned of a probable fall in sales for 1992 of around 6 per cent or 7 per cent to FFr13.5bn. He anticipated a further fall in sales, and sustained pressure on profitability, next year. "Given the pressure on sales and margins, it will be difficult for us to return to break-even," he said.

Snecma has suffered from depressed demand in 1992. The level of production of its CFM 56 engines has fallen from 880 in 1991, to 770 this year, and to a projected 550 in 1993. This problem was recently aggravated by the cancellation of an order from Northwest Airlines of the US for 74 Airbus fitted with CFM 56 engines made by the French group and General Electric, its US partner.

The company has already taken steps to cut costs. Mr Renon warned that there could be more temporary lay-offs and short-time working at its production plants, but said there would be no increase in the 800 job losses already announced. "We mustn't over-react," he said. "We have to ensure that we have the capacity to recover in the medium term."

Pinault-Printemps director quits after clash with chief

By Alice Rawsthorn

MR JEAN-JACQUES Delort yesterday resigned as a director of Pinault-Printemps, the French retailing and timber concern, after a row with Mr François Pinault, chairman and the architect of last year's merger between his timber company and the Printemps retailing group.

The Pinault group has for some time stirred interest because of its shift in strategy when Mr Pinault changed direction away from the old industrial-based interests of his family timber firm by expanding into retailing. This culminated in the FFr5.3bn ($991m) partial bid for Printemps.

The Printemps deal turned Pinault into a leading player in French retailing with the Conforama furniture chain and La Redoute mail order catalogue as well as the Printemps department stores.

It also left Pinault with heavy debts. Mr Pinault this autumn orchestrated a FFr1bn capital increase from Crédit Lyonnais, the French bank, and has recently been reported to be negotiating to buy part of the bank's junk bond portfolio.

Mr Pinault, renowned for his aggressive approach to business, is said to have clashed with Mr Delort, a prominent figure in the French business establishment and the former chairman of Printemps, over his plans for the group. Pinault said in a statement yesterday that Mr Delort had resigned "at the request" of Mr Pinault.

After Mr Delort's departure Mr Pinault will replace him as president of the administrative board of the group.

Cariplo locked in talks over IMI terms

By Haig Simonian in Milan

THE BOARD of Cariplo, the country's biggest savings bank, was locked in talks on whether to buy into the Istituto Mobiliare Italiano, the financial services group.

The board meeting followed a late-night cabinet session on Sunday at which Mr Piero Barucci, the treasury minister, set out the government's final terms for the sale of its 50 per cent stake in IMI.

The government has set a L3,800bn ($2.7bn) price on its holding, based on the lower end of a valuation made by S.G. Warburg, the UK merchant bank. A 42 per cent stake has been offered to Cariplo and Iccri, the organisation linking Italy's savings banks, with the remaining 8 per cent to be floated.

Rejection of the terms by Cariplo and Iccri would be a severe embarrassment for the government. The IMI sale was a first step in a wide-ranging privatisation plan, and the expected receipts form a major part of L7,000bn expected from privatisation this year.

Bankers widely expected the proposal, which is the latest twist in tortuous negotiations lasting two years, to be rejected by Cariplo and by Iccri, whose managing board meets today.

Cariplo and the savings banks have expressed reservations about the price, although somewhat lower than expected, and the payment terms.

East Asiatic in plant disposals

EAST Asiatic, the Danish shipping, graphics and consumer products group, is to sell seven Plumrose meat preserve plants to foreign buyers as part of a plan to trim its overseas operations, Reuter reports from Copenhagen.

It said the move followed failure to reach agreement on a takeover of the plants by a Danish consortium consisting of Tulip International, Danish Crown and ESS-Food.

Assault on corporate Germany's defences

David Waller examines the intensifying attacks on the country's system of voting rights restrictions

Corporate Germany is under fire – both from outside and from within its own ranks.

Two weeks ago a representative of Calpers, the big US pension fund, stood up at the annual meeting of RWE, a large German utility, and denounced the voting restrictions in place at dozens of leading German companies.

This was unprecedented – the first time that an important Anglo-Saxon fund had delivered such a critique at the annual meeting of a leading German company.

Equally unprecedented was the call last week from Mr Christian Strenger, the chief executive of DWS, the investment management arm of the Deutsche Bank and Germany's largest fund management group, for the introduction of voluntary rules to govern takeover activity in Germany.

The two issues are interrelated, as Mr Strenger made clear when he proposed that companies should give up their voting right restrictions as a quid pro quo for embracing a voluntary takeover code and rules defining disclosure requirements.

The justification for the voting rights restriction – in place in one form or another at many large German companies including Deutsche Bank, the DWS parent, and introduced in the early 1970s amid fears that the crown jewels of German industry would be bought up by oil-rich countries – is that it is a company's only defence in the absence of formal rules setting out the way in which bids should proceed.

This was exactly the argument used by Morgan Grenfell, Deutsche Bank's investment banking subsidiary, in its successful defence of the Continental tyre company against a foray from Pirelli. Continental has been able to preserve its independence to date because it has managed to keep voting restrictions in place, despite two attempts from shareholders to remove them.

This put Morgan Grenfell in the embarrassing position of defending something which would be indefensible in the UK, its home market. In the UK, as in the US, it is a cardinal principle that all shareholders should be treated alike.

"Most countries in the world stick to the principle of one share one vote," said Mr Joseph Lufkin, the Calpers representative who was incensed at the voting anomalies in place at RWE, Germany's eighth biggest industrial conglomerate. For historical reasons, a group of local authorities owns 30 per cent of the company's shares – but wields 60 per cent of the votes.

"There is no reason why one shareholder should get better treatment than another just because he happens to be more of an insider than the others," said Mr Lufkin.

Strenger, like Lufkin, points to another inequity: the lack of any rule obliging acquiring companies to make a full offer to all shareholders. It is standard practice in Germany for one company to win control of another by taking a simple majority or a blocking minority. This means that no premium is paid for corporate control and the value of remaining shareholders' holdings can be much diminished.

It was this concern which led to a battle this year between the management of Aachener und Münchener Beteiligungs (AMB), Germany's second biggest insurance company, and Assurances Générales de France (AGF), a large state-owned French insurance group which accumulated 25 per cent of the German company in what was then interpreted as a hostile move.

The management then argued, with the help of S.G. Warburg, the UK investment bank, that the French company was trying to win control with the minimum outlay possible, and refused to recognise the full votes attached to the share stake.

The argument was subsequently settled when AGF helped find a buyer for AMB's stake in BfG Bank, the insurance company's troubled banking subsidiary. But not before the then chief executive resigned and S.G. Warburg resigned their mandate.

The sale of the bank to Crédit Lyonnais is due to be finalised on December 30 at a special meeting of AMB shareholders. But last-minute difficulties have emerged in the negotiations and it is possible that Fondiaria, the Italian group with 20 per cent of AMB's shares, could scupper the transaction by voting against it at the same meeting.

Analysts suspect that the Italian company feels aggrieved at being left in the position of minority shareholder, the value of its shares diminished by the influence accorded to the French.

The AGF/AMB/BfG imbroglio highlights another way in which shareholders are ill-served by the current regulatory environment. There is minimal information about the details of a transaction which has been settled over the head of the shareholders in secret negotiations initiated by the companies' supervisory boards.

Information obligations are rudimentary. Take just disclosure of share stakes. In Germany a company does not have to disclose a shareholding until it reaches 25 per cent, compared with 3 per cent in the UK. This leaves shareholders – and companies – in the dark.

Mr Strenger proposes that companies should disclose holdings of 5 per cent, and that banks should help them do this by reporting stake-building.

But this raises the question of the role of the banks, particularly Deutsche Bank, the biggest bank and owner of numerous substantial portfolios in big German companies.

The official Deutsche Bank line is that it puts up with voting rights restrictions only because there is no takeover code. But critics say that the bank profits from the current state of affairs, being so much better informed about corporate developments because of the holdings and the supervisory board mandates which go with them. Why commit itself to equality between shareholders, when the current inequality works in its favour?

The European Community has drawn up a directive on takeovers and mergers, but it has yet to be ratified. Strenger says that would be serving its own interests by introducing a voluntary code long before the law comes into force.

In practice, it would take years for a voluntary code to take effect. Takeovers, especially hostile ones, are still regarded as profoundly anti-social in Germany, as witnessed by the fuss which accompanied the early stages of Krupp's move to win control of its steel rival Hoesch. German companies are likely to worry that a set of rules would simply encourage such behaviour.

At a time when companies are preoccupied with dealing with recession, it is unlikely that they will encourage anything which would make them vulnerable to takeover – even if that vulnerability works in the interests of shareholders.

NatWest backs broking arm

By Robert Peston, Banking Editor

NATIONAL Westminster Bank said yesterday that its stockbroking business had emerged successfully from its two years probation and there was no longer any question of closing or selling the business.

However, it also said that the broker's name would be changed from County NatWest Securities to NatWest Securities from the beginning of the year.

The announcements were made by Dr Martin Owen, in his first interview as chief executive of NatWest Markets, which groups together all the bank's investment and corporate banking businesses.

Dr Owen has been conducting a review of all NatWest Markets operations since he became chief executive in June. The outcome was particularly important for County NatWest, because Lord Alexander, NatWest's chairman, said in February 1991 that the securities business had two years to prove its worth.

"We have made a firm commitment to stay in equities", said Dr Owen.

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UK pensions restructured

By Barry Riley in London

COURTAULDS Textiles is to restructure its pension scheme to reduce a surplus which has reached 55 per cent of liabilities on prudent assumptions.

The clothing manufacturer, demerged from the Courtaulds fibres and chemicals group in 1990, will increase benefits and withdraw £32m ($48m) in cash for the company's benefit, although more than £12m of this will go in tax. These moves will cost £38m.

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Total wins gas auction

By William Dawkins in Paris

TOTAL, the French oil and gas group, has won control of more than 20 per cent of the Hungarian gas distribution market.

The group won a sealed bid auction against other western oil companies for two of Hungary's five state-owned gas distributors, Egaz and Kogaz, which supply the west of the country.

The price is confidential, but the deal gives Total control of deliveries of 70,000 tonnes of liquefied gas a year. The other five distributors have been sold to the Dutch group Pamgaz, which operates as Primagaz.

● **Hachette**, the French publishing group, and CEP Communication, a publisher of business journals, yesterday sold Le Nouvel Economiste, a loss-making business magazine for FFr60m ($11.22m) in the latest change of ownership in the French press industry.

The buyer is Capital Media, a privately owned publisher of specialist magazines which will invest another FFr60m into the venture. Le Nouvel Economiste was 65 per cent owned by Hachette and 35 per cent by CEP Communication, a subsidiary of the Havas media group.

IBM seeks help from two retired vice-chairmen

By Alan Cane

MR JOHN Akers, beleaguered chairman of IBM, the US computer company, has recalled two highly experienced former vice-chairmen to help the company through its most challenging crisis.

He told senior staff late last week that he had asked Mr Paul Rizzo and Mr Kaspar Cassani, both several years over IBM's statutory retirement age of 60, to become consultants to the company from January 1.

IBM lost money last year and looks certain to do so again this year principally from the cost of successive waves of redundancies as the company attempts to match its overheads to reduced business expectations. Last week Mr Akers said there would be a further 25,000 job losses costing about $6bn in 1993.

The two former executives will act in an advisory capacity and will not become employees of IBM.

IBM's rule on retirement has been broken more and more frequently in recent years as the company has sought to hold on to the expertise of its most experienced officers. Mr Cassani, who was chairman of IBM World Trade for Europe, Middle East and Africa before his move to IBM's Armonk headquarters as vice-chairman in 1988, was one of the first to have his tenure extended.

Since retiring from IBM in the late 1980s, both men have taken up posts in education, Mr Rizzo as dean of the school of business administration at the University of North Carolina and Mr Cassani as first chairman of the Swiss business school formed from the merger of IMI and Imede. It is not clear whether they will continue to hold their academic roles.

Mr Akers said that Mr Rizzo would work directly with him in the US, while Mr Cassani would work with Mr Renato Riverso, head of IBM Europe.

It is expected that Mr Cassani's advice is being sought over the "segmentation" process at IBM, dividing the company into smaller, semi-autonomous business units. Mr Cassani introduced decentralised decision-making while head of Europe long before the US followed suit.

The appointments inevitably throw up questions about the succession at the top of IBM. While Mr Akers has been criticised for IBM's problems, there has been no serious challenge yet to his authority either from fellow board members or investors. The new appointments will render Mr Akers less isolated but at the same time more protected from rival bids for his job.

PWA plans to issue new stock

By Robert Gibbens in Montreal

PWA, parent of struggling Canadian Airlines, has sent a draft restructuring plan to its senior creditors proposing to settle C$506m (US$397m) of claims by issuing new common stock.

However, airline analysts are sceptical about the proposal, saying acceptance is unlikely unless American Airlines, which has offered to invest C$246m for a 25 per cent interest in PWA, is fully committed and other aspects of the restructuring plan are in place.

PWA, under the weight of the airline's operating losses and heavy financial charges, took the first step in its restructuring last month.

It suspended all the non-operational payments, such as money owed to its lenders and equipment lessors, to conserve cash. The airline continues normally but capacity has been cut 15 per cent.

Last Friday Alberta and British Columbia together provided a C$70m loan guarantee on top of a Federal government guarantee of C$50m. But these can support PWA's cash needs only through mid-January, analysts say.

The equity swap is the centrepiece of a full corporate restructuring promised by PWA late in February.

Mr Rhys Eyton, chairman, said that together with concessions offered by the 15,000 employees worth C$200m over four years, PWA will be ready to complete the link-up with American Airlines. However, PWA has not explained how it would deal with American's condition that it switch computer reservations systems.

Procter & Gamble in Russian deal

By Nikki Tait in New York

PROCTER & Gamble, the Cincinnati-based consumer products group, has reached an agreement which will lead to the manufacture of P&G detergent products in Russia.

The announcement comes as some big US consumer product companies are delaying expansion plans in the former Soviet Union because of the turbulent situation there and lack of infrastructure. P&G stressed that the detergent deal does not have significant financial implications.

The agreement has been signed with PO Novomoskovskbytkhim, a state-owned industrial complex at Novomoskovsk, about 130 miles south of Moscow. The agreement provides for P&G to supply detergent formulations and technical assistance.

P&G, whose detergent brands include Ariel, Mr Proper and Dash, has been selling products in St Petersburg for about a year through a joint venture with the university there. The products, however, are made in Europe and imported. Under the new agreement, the products will be made at the Novomoskovsk plant.

VW may take stake in Japanese car importer

By Emiko Terazono in Tokyo

TRADING in shares of Jax, the importer and distributor of Renault cars in Japan, was suspended yesterday on reports that Volkswagen of Germany is acquiring a significant stake in the financially troubled dealer group.

VW has been looking for an alternative network to replace a long-standing partnership with the Yanase car distribution group which is ceasing from the end of this year.

Renault, meanwhile, is investigating the use of the Japanese sales network of its partner Volvo, with which it has cross-shareholdings.

Volvo has already expressed its readiness to help Renault. Volvo set up Volvo Cars Japan as a wholly-owned subsidiary in 1986, at about the same time as Renault was concluding its deal with Jax.

Tokyo-based Jax, whose shares are traded over the counter, described the deal as a "tie up", but reports suggested it would issue new shares for allotment to VW, which will eventually hold a 30 to 40 per cent stake.

VW itself acknowledged last night that links with Jax were in prospect but made no details available.

Jax is currently the sole distributor for Renault, but has seen sluggish sales due to the fall in consumer spending.

The company posted a pre-tax loss of Y968m ($7.85m), on a 3.2 per cent fall in sales, for the six months to June, and overall borrowings totalled 91.6 per cent of its assets at the end of last June.

According to the Japan Automobile Importers' Association, imported car sales are expected to fall 8.7 per cent from the previous year to 180,000 units.

Correction

Revco

THE subscription price for shares in the Revco rights issue is $8. The figure was incorrectly reported in the FT last week.

PNG pledge steadies mining shares

By Kevin Brown in Sydney

SHARES in Australian mining companies steadied yesterday after the government of Papua New Guinea undertook not to use expropriation to increase its stake in mining projects.

Shares in mining groups with PNG interests have tumbled on the Australian stock exchange since a coalition government led by Mr Paiai Wingti was elected in July.

The government has taken a tougher line against foreign mining interests than the previous administration of Mr Rabbie Namaliu, and has said it intends to increase government holdings in big projects.

However, Senator Gareth Evans, the Australian foreign minister, said PNG ministers at an Australia-PNG ministerial forum in Tasmania over the weekend had promised to do everything possible to restore investor confidence.

"The PNG government was certainly interested in pursuing more equity in at least some of these projects [but had undertaken that] under no circumstances would there be any expropriation to achieve that," he said.

Senator Evans said PNG ministers at the conference had acknowledged that "things had got to an uncomfortably high temperature," and were keen to reach an accommodation with the industry.

Shares in CRA, the Australian group which owns the Panguna copper mine on Bougainville island, rose 40 cents to A$13.24 after Mr Evans' statement. PNG ministers had suggested that CRA might not be allowed to reopen the mine, which has been closed by secessionist violence.

The undertaking also steadied shares in the joint venture partners in the Porgera gold mine, which fell heavily following PNG's announcement of plans to increase its stake from 10 per cent to 30 per cent.

Placer Pacific closed three cents higher at A$1.22, and Renison Goldfields closed 12 cents higher at A$2.80. Highlands Gold, a PNG-registered subsidiary of MIM Holdings, closed one cent lower at 63 cents.

Mr John Kaputin, PNG foreign minister, indicated that the government would tone down future comments on the mining industry. "It is not good for everyone to be bickering through the media," he said. "It will not help anyone and it will certainly not help the value of the shares on the stock market."

The PNG government has claimed that officials were misled by the joint venture partners about the profitability of the Porgera project, which is one of the world's largest gold mines.

Mr Masket Iangalio, the mining minister, has said that PNG restricted its holding to 10 per cent because the joint venture partners convinced the then government that the mine would be a marginal project.

Porgera began production in September 1990. It is expected to produce about 900,000 oz of gold a year until 1996, but is likely to produce 1.4m oz in the current year.

Siddons Ramset urges bid snub

By Kevin Brown

SIDDONS Ramset, the Australian hardware and fasteners group, yesterday urged shareholders to reject competing hostile takeover offers from BBA, the UK toolmaker, and Illinois Tool Works, the US engineering group.

In a formal response to BBA, Siddons said an independent valuation by Schroders Australia had valued the company's stock at between A$2.60 and A$3, representing a significant premium to both offers.

Mr Roger Flynn, managing director, said the A$1.81 a share offer by BBA, made through its subsidiary Pacific BBA, was totally inadequate and had been rejected unanimously by the board.

Mr Flynn said Pacific BBA "does not appear to be serious about its cash and paper offer", which has been overbid by a cash offer of A$2 a share from W. A. Deutsher, an Australian subsidiary of Illinois Tool.

He said Pacific BBA "must decide soon whether they are up or out". However, ITW's offer was below the full value of the company and had been rejected unanimously by the board.

Schroders estimated Siddons total worth at between A$120m (US$82.7m) and A$139m. Pacific BBA's cash and paper bid values the company at A$86m. The cash offer from W. A. Deutsher values it at A$94m.

Schroders forecast that Siddons' sales would increase to A$188m this year from A$168m in 1991-92, while operating profit after tax but before abnormals and extraordinaries would rise to A$7.1m from A$3.2m. Siddons shares closed four cents higher at A$1.96.

PT Astra chairman to quit

PT Astra International's chairman, who has been blocking the company's takeover by a group of leading Indonesian businessmen, will resign today, Reuter reports from Jakarta.

The Soerydjaya family has been forced to sell its controlling stake in Astra, Indonesia's second largest private company, to bail out another family-owned company, the Summa Group, which has run up losses estimated at more than $600m.

Analysts said Mr Sumitro Djojohadikusumo had become a stumbling block to bids for Astra by two consortia. One is led by timber tycoon Mr Prayogo Pangestu and the other by Mr Sumitro's son, Mr Hasjim Djojohadikusumo.

Mr Sumitro said earlier he preferred pension funds to buy the shares.

He said Toyota Motor, the Japanese car maker which owns 51 per cent of Astra's main company, PT Toyota Astra Motors, was worried by the sale of 108m shares or 44.6 per cent of Astra to Mr Prayogo.

His consortium includes Mr Liem Sioe Liong, whose PT Indomobil Utama assembles Suzuki Motor vehicles and competes with Astra.

Investment in Chilean copper rises

By Leslie Crawford in Santiago

PLACER Dome, the Canadian resources group, Minorco, the Luxembourg-based investment company, and its parent, the Anglo American Corporation of South Africa, have bought stakes in two leading copper projects in Chile.

Minorco yesterday said Minera Mantos Minorco had completed the acquisition of a third of a big Chilean copper project, Collahuasi. Minera Mantos Minorco, a new company 50.1 per cent owned by Minorco with the rest owned by Empresa Minera de Mantos Blacos, in turn controlled by Anglo American, is to pay about $190m to acquire the stake from Chevron, the US oil group. Royal Dutch/Shell and Falconbridge, share equally the other two thirds of Collahuasi deposit.

Minorco believes Collahuasi's start-up date will be 1996-97.

In a separate deal, Placer Dome has paid $100m to Outokumpu Copper Resources of Finland for a 50 per cent interest in the Zaldivar copper deposit in the Atacama desert. Placer Dome has also agreed to provide loan financing of up to $400m towards the estimated $500m cost of constructing a mine and treatment facility.

The partners expect to complete Zaldivar's feasibility studies by the middle of next year. If they decide to proceed with the project, the mine is scheduled to begin production in 1995.

The acquisitions underscore Chile's leading position as a Mecca for mining multinationals. The Chilean Copper Commission, Cochilco, estimates mining companies will invest almost $5bn before the end of the decade to tap the country's vast mineral wealth. Nowhere else in the world are there so many projects close to fruition.

INTERNATIONAL CAPITAL MARKETS

German prices rise on interest rate hopes

By Sara Webb in London and Patrick Harverson in New York

GERMAN government bond prices rose on hopes of lower interest rates after Mr Theo Waigel, the finance minister, was quoted in the press saying that a cut in interest rates would be the most effective single measure to revive the German economy.

The Liffe bund future contract crept up from 91.77 to a high of 91.97 before ending the day at around 91.95, but volume was low at about 9,500 contracts.

GOVERNMENT BONDS

Two of the German states reported their inflation figures for the month to mid-December yesterday. The cost of living in Bavaria climbed 0.2 per cent in the month to mid-December from mid-November, giving a year-on-year rise of 4.0 per cent. In Baden-Württemberg, prices rose 0.2 per cent in the month, giving a year-on-year increase of 3.6 per cent.

Last week, Hesse announced a 0.2 per cent rise month-on-month, giving a year-on-year increase of 4.2 per cent.

■ ELSEWHERE in Europe, French government bonds closed slightly higher as pressure on the French franc eased slightly in the foreign exchange markets.

The Bank of France left the intervention rate unchanged at 9.10 per cent at its securities repurchase tender, but kept market conditions tight by draining FFr2.4bn in liquidity from the system.

The 8½ per cent bond due 2003 opened with a yield of 8.29 per cent and ended at 8.27 per cent. On the Matif futures exchange in Paris, the March bond futures contract rose from 111.12 to 111.30 although volume was light ahead of the Christmas holiday.

■ After a lacklustre start, US Treasury prices posted solid gains in thin trading yesterday morning as the market prepared for the week's note auctions. By midday, the benchmark 30-year government bond was up $\frac{1}{8}$ at $102\frac{13}{32}$, yielding 7.387 per cent. Prices were also firmer at the short end of the market, where the two-year note was trading $\frac{1}{16}$ higher at $100\frac{1}{16}$, yielding 4.572 per cent.

The lack of fresh economic news meant that attention was focused on forthcoming supply. *Today, the Treasury will sell* $15.5bn in two-year notes, and tomorrow another $11.25bn will be raised from the sale of five-year notes.

Many of the market's players have closed their books for the end of the year, so traders are expecting demand for the new paper to be relatively weak, which could push up rates in the short-term.

■ UK GOVERNMENT bonds drifted lower in very thin pre-holiday trade, with the Liffe gilt future slipping to 99.17 from 99.21.

■ JAPANESE government bonds closed firmer. They were given a lift by some buying interest from some of the agricultural institutions, dealers said.

Trading volumes were thin and the yield on the benchmark No 145 JGB ended at 4.6 per cent, having moved in a range of 4.595 to 4.61 per cent. The March futures contract moved in a range of 107.54 to 107.65, and ended at 107.59 against its close of 107.58 on Friday.

The Bank of Japan said money supply shrank 0.5 per cent in November from a year earlier. This compared with a 0.6 per cent fall in October.

The figure was in line with expectations.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	105.6085	-0.004	8.94	8.94	8.91
BELGIUM		8.750	06/02	104.8500	-	7.98	8.00	8.03
CANADA *		8.500	04/02	103.3000	+0.250	7.99	8.05	8.00
DENMARK		9.000	11/00	99.1000	-0.500	9.15	8.86	8.87
FRANCE	BTAN	8.500	03/97	100.8844	+0.130	8.22	8.22	8.02
	OAT	8.500	11/02	101.5750	+0.110	8.25	8.23	8.10
GERMANY		8.000	07/02	104.3700	+0.070	7.34	7.41	7.33
ITALY		12.000	05/02	93.9000	+1.200	13.58†	13.60	13.45
JAPAN	No 119	4.800	06/99	101.3558	+0.050	4.53	4.55	4.53
	No 145	5.500	03/02	105.8385	+0.087	4.60	4.64	4.65
NETHERLANDS		8.250	06/02	105.5200	+0.090	7.41	7.48	7.46
SPAIN		10.300	06/02	88.0000	-	12.50	12.43	12.44
UK GILTS		10.000	11/96	106-28	-2/32	7.35	7.34	7.18
		9.750	08/02	108-22	-2/32	8.43	8.37	8.38
		9.000	10/08	102-21	-8/32	8.69	8.64	8.78
US TREASURY *		6.375	08/02	97-24	+11/32	6.69	6.81	6.84
		7.625	11/22	102-21	+10/32	7.40	7.44	7.54
ECU (French Govt)		8.500	03/02	98.1450	+0.110	8.80	8.81	8.64

London closing. *New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

FT FIXED INTEREST INDICES

	Dec 21	Dec 18	Dec 17	Dec 16	Dec 15	Year ago	High *	Low *
Govt Secs (UK)	93.54	93.73	93.67	93.57	93.50	86.54	95.54	85.11
Fixed Interest	109.05	109.02	108.96	108.81	108.76	96.91	110.28	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14
Gilt Edged Bargains	100.0	94.3	102.4	113.2	104.1
5-Day average	102.8	103.8	110.2	113.5	114.7

* SE activity indices rebased 1974

Italians pay the price in post-Efim market

By Brian Bollen

ITALIAN borrowers are returning to the international syndicated loan markets, but in some cases are having to pay more for their funds as a result of the recent Efim affair.

Efim, the Italian state holding company, was put into voluntary liquidation in July, and bankers are still waiting to receive their money back.

SYNDICATED LOANS

Italian borrowers were absent from the international *syndicated loans market* while bankers lobbied the Italian authorities for a commitment to repay Efim's debts in full.

The Italian authorities eventually agreed to repay the loans in full.

However, some Italian borrowers who recently launched syndicated credits have found they are paying double what they would have paid before the Efim affair.

In addition, bankers claim the Efim affair has forced them to examine Italian companies' balance sheets more closely. They expect only the top tier of Italian borrowers to participate in the syndicated loans market, in spite of the fact that a number of Italian names have heavy borrowing requirements.

The market is still struggling to find the proper pricing level. Monte dei Paschi di Siena (MPS) attracted some attention last week with an Ecu50m, 10-*year facility for its mortgage* lending subsidiary, Monte Paschi Fondiario e Opere Pubbliche.

Led by Hill Samuel, Bayerische Landesbank, Italian International Bank and Monte dei Paschi, the deal carries a margin of 52½ basis points over the London interbank offered rate (Libor) for the first five years, rising to 57½ basis points over Libor thereafter.

The pricing was described as aggressive by some bankers. A similar deal for MPS, signed in January this year, started at 47.5 basis points over Libor for five years, rising to 50 basis points for the final five years. The premium of 5-7½ basis points is considered by some bankers to be too low in the wake of the Efim affair.

While the 26¼ basis points commitment fee and front-end fees ranging from 20 to 35 basis *points make the all-in yield* around 60 basis points, bankers maintain this is not generous enough, and many would have been happier if MPS had not been looking for such long-term funds.

MPS has the status of a foundation and no beneficial owner.

By comparison, a recently completed $57.5m 2½-year loan for Isveimer, the state-owned development bank for southern Italy, carried a margin of 50 basis points over Libor and offered front-end fees of up to 60 basis points for a more generous all-in yield of around 70 basis points.

Before the Efim affair the margins that Isveimer was paying were lower though on a rising trend. At the end of 1990, for example, it was paying 25 to 27½ basis points over Libor for seven-year money.

The pricing on its latest facility, arranged by Chase Manhattan, *was dictated by the bor*rower's recent $150m five-year floating-rate note issue.

That offered investors 75 basis points over Libor and a put option every six months in an attempt to overcome fears about investing in Italy.

In spite of the short maturity and generous yield, the loan was not a success. The syndicate is complete, but only one of the six banks joining Chase is not Italian.

Bankers warn against reading too much into the success of Fiat's recent five-year revolving credit, which was increased to $800m from the original $500m.

■ Vattenfall, the Swedish electricity producer and distributor, announced its debut in the international capital markets with a $750m multi-currency Eurocommercial paper programme established through Swiss Bank Corp, the arranger. *SBC is joined as a dealer by* Deutsche Bank, Lehman Brothers, JP Morgan and Skandinaviska Enskilda Banken.

Funds are described as being mainly for working capital, bridge financing and liquidity reserve purposes.

Nomura takes punitive action

By Emiko Terazono in Tokyo

NOMURA Securities, Japan's largest stock broker, announced punitive measures for its top executives over the company's questionable sales of asset-backed securities to retail investors.

Mr Hideo Sakamaki, president, will receive a 20 per cent salary cut, and Mr Tadashi Takubo, senior managing director, faces a 10 per cent pay cut, both effective for one year. Mr Atsushi Saito, who headed the international sales unit, *was demoted from senior* managing director to managing director.

Nomura said it received a written warning from the ministry of finance last week, for breaching industry regulations, which require brokers to warn investors of risks involved in investment products.

Nomura last month admitted it had failed to warn retail investors, when selling its US real estate-backed bonds. The broker has compensated Y23bn ($185m) to more than 10,000 clients who had incurred losses on the securities.

Fund based on Brazilian debt

By Richard Waters

THE range of structured funds aimed at investors who want a geared bet on Latin American debt has been expanded this week by what is thought to be the first based on Brazilian debt instruments.

Morgan Grenfell, the UK merchant bank, has created two tranches of debt based on Brazilian IDU bonds, with a total face value of $100m. The bonds trade at about 60 per cent of face value.

Morgan is selling $35m of senior notes, based directly on IDU bonds, and $25m of junior notes, geared instruments which give about three times the exposure to the bonds than would be gained by investing directly.

World Bank plans two global issues in the new year

By Brian Bollen

THE World Bank is planning two global bond issues in the first few weeks of 1993. The bank is looking at the 30-year end of the yield curve for its next global US dollar issue, early in the new year, said Ms Jessica Einhorn, the bank's treasurer, probably to raise a maximum of $1.5bn.

The bank is also planning its first global D-Mark issue, to raise about DM3bn, for the end of January or early February.

INTERNATIONAL BONDS

The bank is considering including a feature allowing the dollar bonds to be stripped of their coupons, which would then be sold as a separate series of zero-coupon issues.

"The consensus view is that this would make it more marketable to investors," said Mr Kenneth Lay, the bank's director of financial operations.

The bank plans to use the global structure for all future large transactions, whatever the pattern of international demand at the time of issue, said Mr Lay.

Now halfway through its fiscal year, the bank is reviewing its borrowing programme for 1992-93.

Of the original $13.5bn target, about $7bn-equivalent has been raised.

Landeskreditbank Baden-Württemberg (LKB) has established a $1bn Euro medium-term note programme as part of its plans to increase its borrowing on the international capital markets.

The bank, which has an explicit Baden-Württemberg state guarantee and a triple-A debt rating, plans to raise DM7bn to DM8bn internationally in 1993, up from DM5bn *this year, said Ms Gertraud* Foos-Olsson, deputy director of the bank's new issues and derivatives department.

This will account for about half its total borrowing requirements of DM15bn to DM16bn, with the rest being raised domestically, Ms Foos-Olsson said.

The bank plans to tap the Eurodollar bond market at least twice next year for up to half the total, and make at least two large benchmark issues in the international D-Mark market to raise $1.5 to $2bn.

LKB also regards French francs and Euroyen as currencies where it should borrow at least once, and does not rule out further issues in currencies where cheap funds are available, in addition to its strategic programme. A trip to the samurai market for around Y25bn is lightly pencilled in.

The Euro-MTN programme allows for the issue of paper in a wide range of currencies with maturities between one month and 30 years and was arranged by Merrill Lynch International. There are nine other banks act*ing as dealers in addition to* Merrill Lynch, including three from Germany.

LKB's preferred minimum maturity under the programme will be two years, and the bulk of borrowing under the programme will be in the five to 10-year range, Ms Foos-Olsson said. The programme will also be used to make small, opportunistic Eurobond issues and possibly for longer term subordinated debt.

It does not exclude setting up a global programme in the next two to three years, but feels that its borrowing needs are not large enough, and prefers to keep its Eurobond and yankee bond programmes separate.

LKB expects to sign in February a $750m US MTN programme, which it plans to use for longer maturities. That programme is being arranged by Morgan Stanley, which will be joined as a dealer by Merrill Lynch, JP Morgan and Salomon Brothers.

● The Japanese Ministry of Finance is likely to lower the minimum credit rating for corporate issuers of straight and warrant bonds, to BBB from the current A, further broadening the pool of potential issuers, Reuters reports.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 21

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	64	15
Other Fixed Interest	0	8	7
Commercial, Industrial	588	116	722
Financial & Property	315	61	421
Oil & Gas	30	6	49
Plantations	0	0	9
Mines	31	15	95
Others	73	7	36
Totals	1,038	277	1,354

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	114¼p	104¼p	Bristol Water 8¾pc Pf.	114¼p	
100p	F.P.	-	103p	100¼p	Commercial Union 8¾pc Cv. Pf.	103p	
100	F.P.	-	115	104¼	NFC 7¼pc Cv. Bd. 2007	112¼	+3¼
150p	F.P.	-	122pm	90pm	[illegible]	122pm	+9

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
180	Nil	1/2	27pm	24pm	Lawrence & Burchett	27pm	
85	Nil	5/2	½pm	¼pm	Lowrie	½pm	
25	P.P.	1/3	20	10	Property Trust	13	
240	Nil	27/1	55pm	43pm	Seton Healthcare	55pm	+2

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. u Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. z Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Dec. 21
● Last Dealings Jan. 8
● Last Declarations March 25
● For settlement April 5

3-month call rate indications are shown in Saturday editions.

Calls in Aerospace Eng., ASDA, Berisford Intl., Enterprise Computer, Fairhaven Intl., Intl. Food, Kunick, MFI, Premier Cons., Queens Moat Hses., Reckitt & Colman, Redland, Royal Insce., Transfer Tech. and Wace. Put in Union Discount. Double in Tadpole Tech.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

EURO FT-SE INDEX (*2807)

	2575	2625	2675	2725	2775	2825	2875	2925
CALLS								
Jan	259	212	166	125	89	58	36	20
Feb	278	234	192	154	122	93	67	51
Mar	-	261	-	190	-	122	-	76
Jun	-	299	-	228	-	167	-	118
Sep	-	327	-	258	-	199	-	147
Dec	-	362	-	300	-	246	-	199
PUTS								
Jan	7	12	17	25	37	56	83	117
Feb	21	26	33	46	61	81	103	136
Sep	-	78	-	103	-	140	-	183
Dec	-	88	-	120	-	158	-	205

FT-SE INDEX (*2807)

	2500	2550	2600	2650	2700	2750	2800	2850
CALLS								
Jan	331	284	235	188	143	104	70	44
Feb	345	297	253	211	172	137	105	79
Mar	362	320	278	237	198	164	134	105
Apr	340	299	260	220	186	155	126	118
Jun †	385	-	303	-	232	-	173	-
Dec †	430	-	360	-	290	-	230	-
PUTS								
Jan	4½	5	7	12	18	29	43	70
Feb	15	17	25	31	40	55	72	95
Mar	23	25	34	43	54	70	88	114
Apr	30	37	46	58	73	92	115	125
Jun †	40	-	53	-	85	-	127	-
Dec †	75	-	102	-	135	-	180	-

December 21 Total Contracts 33,811
Calls 23,222 Puts 10,589
FT-SE Index Calls 11,502 Puts 5,443
Euro FT-SE Calls 697 Puts 55
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Mon Dec 21	Day's change %	Fri Dec 18	Accrued Interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	127.38	-0.01	127.75	1.76	12.46
2	5-15 years (23)	144.62	-0.08	144.74	1.88	13.51
3	Over 15 years (8)	152.14	-0.16	152.64	2.23	12.15
4	Irredeemables (6)	170.67	-0.18	170.98	1.83	13.68
5	All stocks (61)	141.22	-0.07	141.50	1.90	13.22
	Index-Linked					
6	Up to 5 years (2)	183.34	-0.02	183.37	0.86	3.68
7	Over 5 years (11)	162.24	-0.04	162.68	0.62	4.93
8	All stocks (13)	163.86	-0.04	164.24	0.64	4.74
9	Debs & Loans	[illegible]	[illegible]	122.61	2.62	11.27

	AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 21	Fri Dec 18	Year ago (approx.)
	British Government				
1	Low	5 years	7.26	7.24	8.99
2	Coupons	15 years	8.26	8.25	9.45
3	(0%-7¾%)	20 years	8.51	8.49	9.45
4	Medium	5 years	7.61	7.59	9.91
5	Coupons	15 years	8.69	8.68	9.58
6	(8%-10¾%)	20 years	8.85	8.84	9.53
7	High	5 years	7.84	7.83	10.13
8	Coupons	15 years	8.98	8.95	9.64
9	(11%-)	20 years	9.06	9.03	9.57
10	Irredeemables (Flat Yield)		8.92	8.90	9.65
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.56	2.55	4.10
12	Inflation rate 5%	Over 5 yrs.	3.96	3.96	4.42
13	Inflation rate 10%	Up to 5yrs.	1.71	1.69	3.43
14	Inflation rate 10%	Over 5 yrs.	3.77	3.76	4.23
15	Debs &	5 years	9.00	8.99	11.36
16	Loans	15 years	9.92	9.90	11.14
17		25 years	10.09	10.08	10.93

Shares rally as rationalisation programme continues

Lasmo cuts N Sea holdings

By Deborah Hargreaves

LASMO, the independent oil and gas exploration company, announced the sale of $145.5m of assets in the North Sea and Indonesia yesterday, taking the value of disposals this year to $1.5bn (£980m).

The company agreed to sell its 8.52 per cent interest in the T-block fields in the North Sea to a subsidiary of Murphy Oil Corporation in the US for $100m.

It also sold other smaller interests in the North Sea and Indonesia as part of a programme of rationalising its asset portfolio and selling off many of the peripheral developments it acquired with the takeover of Ultramar a year ago.

The company indicated yesterday that it will continue its disposal plans next year when it expects to achieve sales of more than $150m.

Lasmo sold off Ultramar's downstream refining interests in North America earlier this year for $1.13bn.

Mr Chris Greentree, Lasmo's chairman, said the latest asset disposals will reduce the company's debt to equity ratio by some 10 per cent. Analysts estimate Lasmo's gearing level to be about 85 per cent.

The company's shares were stronger yesterday as the City renewed its hopes that Lasmo would not cut its dividend in spite of weak oil prices and high capital expenditure. The shares rose 9p to 151p.

Mr Greentree said the company will cut its capital expenditure by 35 per cent next year from £132m to £90m against a background of weak oil prices. Lasmo will also slash its development spending from £326m to £240m.

"The oil price is at its lowest for 20 years and all our exploration and production and development projects have to meet low oil price criteria or we just won't do them," Mr Greentree said.

Lasmo has built in a price of $19.50 per barrel for an average oil price on which to base its plans next year.

Lasmo shares have been extremely weak in recent months as the City became concerned about this year's uncovered dividend and persistent rumours about problems the company had uncovered at Ultramar.

But Mr Steve Turner at Smith New Court expects oil production at the company to grow by 40 per cent up to 1996: "which means the company can grow out of its financial difficulties," he said.


Lasmo's Chris Greentree

Lasmo says its oil output will increase from 185,000 barrels a day (b/d) to 190,000 b/d next year.

Brokers Whitefriars closed by Bikuben

By Richard Waters

WHITEFRIARS, the UK stockbroker acquired by Danish savings bank Bikuben in 1990, has been closed, in the process leaving 90 small British and Irish companies without a proper market in their shares.

Almost all of the 100 companies in which Bikuben-Whitefriars had made a market are now covered by only one securities house. Unless another market maker comes forward, they will be forced on to the London Stock Exchange's recently-created Seats market for illiquid companies.

Cut-backs in small company market making over the past few months by large securities houses in London have already left 144 companies on Seats.

The closure of Whitefriars, with the loss over the coming weeks of 25 jobs, follows financial losses over the past three years.

The total cost to Bikuben, including buying the firm, absorbing its losses and closing it, will come to under £5m, the bank said.

Following the signing of a Memorandum of Understanding between the UK and Danish securities regulators, Bikuben will carry on its institutional equity and bond broking business, as well as its private banking operation, from a newly-created branch in London, rather than a separate company.

Lucas sells division to Danish group for £30m

By Angus Foster

LUCAS Industries, the car and aerospace components maker which plans to raise £100m through disposals by next August, yesterday announced the sale of its fluid power systems division to Sophus Berendsen of Denmark.

The division is the largest of four put up for sale by Lucas in October in an effort to focus on core businesses, following a sharp fall in profits and mounting bid rumours.

It has net assets of £20m-£25m and the sale price, although subject to final due diligence, is thought to be about £30m.

Mr Bernard Carey, director of communications at Lucas, said the company was talking with other potential buyers for the outstanding three divisions. "We are finding interest in all the nominated businesses," he said.

Lucas' fluid power systems division distributes hydraulic and pneumatic equipment such as valves and pumps to the construction and agricultural sectors. It employs nearly 1,000 people with annual sales of more than £100m.

Berendsen is best known for its 55 per cent stake in environmental services company Rentokil. It has been involved in fluid power distribution since the late 1970s and is one of Lucas's main competitors in the important US market. Berendsen also has interests in the textile rental and laundry market, especially in Denmark.

Mr Hans Werdelin, chief executive officer, said the two companies' fluid power divisions fitted well together. The acquisition would strengthen Berendsen's value added distribution network, he said. The US and Canada accounted for about 70 per cent of Lucas's fluid power sales last year, while Berendsen saw the US as its most important market outside Scandinavia.

The consideration was cautiously welcomed by analysts, although one pointed out that Lucas was selling at the bottom of a recovering market. The shares fell 1p to 131p; ahead of the October announcement, which coincided with news of 4,000 job cuts and an uncovered dividend. the shares fell below 100p.

The three remaining businesses for sale are Lucas Autocentres, a specialist car repairer, as well as an aircraft windows factory and a missile casings manufacturer.

Mr Carey said negotiations for one of the sales "were progressing faster than the others", but he said no sales were imminent.

Shandwick granted new facilities

By Richard Gourlay

Bankers to Shandwick, one of the world's largest public relations agencies, have agreed to extend facilities to the company until the end of January 1994.

Mr John Huckle, Shandwick finance director, said the early renewal of the facility, which was due to expire next March, provided a "positive" atmosphere for the group's recovery.

The facility amounts to £89m at current exchange rates in sterling and foreign currencies.

Shandwick's shares price collapsed from 149p a year ago after the group severely disappointed with its results and breached some of its banking covenants.

Yesterday the shares recovered 1½p to close at 9½p.

Mr Huckle said Shandwick had been able to prove that cash flow was stronger than previously expected.

Culver offer for DG Durham

By Angus Foster

CULVER Holdings, which was formed to make a recommended offer for Wyndham Group in July last year, is to buy the operating subsidiaries of DG Durham, the insurance group whose shares were suspended on the USM in October.

Culver will also make an offer of one new Culver share for every five Durham shares. The offer, equivalent to 0.8p per Durham share, values the whole company at £160,000.

However, because Culver does not want to be liable for Durham's borrowings of £1.4m or certain outstanding legal claims against the company, Culver will sell on any shares acquired under the offer to Masterglobal, which already owns 51 per cent in Durham.

Mr John Biles, the largest shareholder in Culver with 27 per cent, also controls Durham through a 74 per cent stake in Masterglobal. Two other Culver directors are directors of Durham.

The acquisition and offer need approval from independent shareholders from both companies. Durham's independent directors and financial adviser Guiness Mahon will recommend the offer. Culver's offer is being made by Credit Lyonnais Laing.

Culver will pay up to £262,000 for Durham's operating subsidiaries, which include Accident & General, a travel insurance broker. Culver, which owns Honda and BMW franchises, intends to inject the subsidiaries into a new insurance division.

Before the proposals were announced, Durham had been unable to file accounts because its bankers, Barclays, refused to confirm the availability of continued facilities. The accounts were filed yesterday, showing a pre-tax loss of £4.29m in the 15 months to March 31.

Durham's shares are due to resume trading on the USM today. They closed at 4p before suspension.

High-Point cuts debt by disposal

High-Point is reducing net debt by £1.7m through the sale of Transportation Planning Associates to Oscar Faber.

Consideration is £950,000 cash and the discharge by Oscar Faber of all TPA's debts amounting to £1m. In the year to May 31 TPA incurred a pretax loss of £391,000.

The sale is in line with the policy of disposing of businesses outside mainstream activities and follows the sale of Rendel Science & Environment in October

Projections show a continued breach of covenants on borrowing facilities, and the loan facilities are technically repayable on demand.

The board believes that trading for the current year will improve over last time.

Extra time for banks responses to Isosceles

By Maggie Urry

SOME MEMBERS of the 38 strong banking group which has loans of £1bn to Isosceles, the parent of the Gateway food retail chain, have been given extra time to respond to the company's request for a standstill on interest and capital repayments.

Responses were due to be delivered by this morning, and an Isosceles board meeting was scheduled for this afternoon to approve the standstill.

However, overseas banks have been allowed an extra day to reply, delaying an announcement that an agreement has been signed until at least tomorrow.

Pressure is on the company and its lenders to come to an agreement before Christmas, as suppliers are nervous of extending trade credit to the Gateway chain while its future remains uncertain.

Followers of Isosceles recall that details of its first financial restructuring were posted to shareholders on Christmas Eve 1990.

Moody's cuts debt rating for GPA Group

By Tracy Corrigan

GPA Group, the Irish aircraft leasing company struggling to restructure its finances, suffered a further blow to confidence when Moody's rating agency cut its debt rating from Ba2 to B1.

Moody's said the cut reflected uncertainty over the outcome of restructuring and the depressed condition of the airline industry. The $1.8bn in debt affected had already fallen below investment grade.

OIS £15m offer comfortably oversubscribed

By Matthew Curtin

INVESTORS have oversubscribed by 20 per cent for the 30m shares in OIS International Inspection, the technical inspection services group to be listed on December 30.

Mr Michael Sawbridge of Neilson Cobbold, the sponsoring brokers, said the £15m offer was "comfortably oversubscribed". Private investors had taken up £4m worth of the 50p shares, the remainder was taken up by institutions, led by Friends Provident with a 20 per cent stake.

OIS's holding company would use the money raised from the listing to buy OIS from Adia, the Swiss employment group busy divesting itself of its non-core interests. OIS would use the £4m to eliminate most of its long-term debt and help finance the purchase of new offices in Aberdeen.

OIS is expected to report a small decline in pre-tax profit to £1.58m (£1.68m) on lower turnover of £45m (£47m) in the year to end-December.

Mr Sawbridge said Neilson Cobbold forecast improved profits in 1993 – a detailed forecast would be made in January – because cashflow would be boosted by the reduction in gearing to about 5 per cent, new long-term management contracts, and streamlining of the UK offices.

OIS, which specialises in safety, quality and environmental testing of industrial installations, was at an advanced stage of talks with two big clients, who were replacing their in-house inspection teams.

OIS already boasts BP, Shell and British Gas among its corporate clients.

COMPANY NEWS IN BRIEF

AAF INDUSTRIES has acquired Stamford-Pickard (Holdings) for a maximum £1.075m, comprising an upfront payment of £600,000 and a deferred payment based on profits for the year to March 31 next. A total of 372,671 shares will be issued in connection with the initial payment which will be renounced and placed in the market at 161p a share, together with a placing for cash of 850,000 new shares.

ABBOT MEAD Vickers has acquired Clarke Hooper Consulting and Owls Design, which are the main English operating companies of Clarke Hooper.

BPP HOLDINGS is acquiring the outstanding 24 per cent interest in Cadmus, which provides courses for laywers, for about £230,000, satisfied by £147,000 cash and the issue of 35,360 shares.

BARR & WALLACE Arnold has arranged a sale and leaseback arrangement on the Burlington Hotel, Eastbourne, for approximately £3.5m. At the same time the company has been granted a 25 year full repairing lease from the purchaser.

BURFORD HOLDINGS has sold the freehold interest in Gate House, Harlow, comprising 14 shop units and an office building of 33,000 sq ft, to a private company for £4.8m cash. In the company's balance sheet at December 31 1991 the property was held at £5m.

CARLSBERG-TETLEY: the DTI has accepted statutory undertakings from Carlsberg-Tetley to remedy expected adverse effects of the competition identified by by the Monopolies Commission. The undertakings follow the lines of those already given by Allied-Lyons and Carlsberg to the extent that they are relevant to the joint venture.

COSALT has sold the stock and assets of Abbey Caravans to Swift Group for £827,498 cash; £157,723 was paid at completion, a further £24,923 on December 18 and the remainder will be payable in equal instalments on January 15 and March 15 1993.

EIT GROUP is holding talks on the disposal of its third party maintenance business carried on through its subsidiary Sysmatic. Offers in the region of £2m have been received and detailed negotiations are expected to be concluded before the end of the year.

GLASGOW INCOME Trust said the dividend for the year to September 30 1993 would not be less than 2.75p, and would consist of three interims of 0.6p and a final of at least 0.95p.

INCHCAPE has acquired the Canadian testing and certification operations of Warnock Hersey, together with the majority of its US operations, from SNC-Lavalin. In the UK, Albury Laboratories (known as ATL Albury) has been acquired from Amtac Laboratories. Both businesses are involved in safety and performance testing of electrical goods and other manufactured items. The aggregate consideration for the acquisitions was about £7m.

INTERNATIONAL Distillers & Vintners, the drinks sector of Grand Metropolitan, has agreed with the Ugandan Development Corporation, a government development agency, to buy UDC's 51 per cent share of East African Distilleries.

WORTH INVESTMENT Trust: Net asset value per share at September 30 was 25.5p (25.2p at March 31). Net income for half year £3,000 (£84,000 losses) and earnings per share 0.01p (0.27p losses).

VIZCAYA HOLDINGS: Pre-tax loss of £77,080 for the 6 months to June 30 compared with loss of £108,242. Losses per share were 0.14p against 0.20p.

PUBLIC WORKS LOAN BOARD RATES

Effective December 15

	Quota loans*		
Years	EIP†	A††	at maturity§
1			6⅞
Over 1 up to 2	7	7	7½
Over 2 up to 3	7¼	7⅜	7⅝
Over 3 up to 4	7½	7½	7¾
Over 4 up to 5	7⅝	7⅝	8
Over 5 up to 6	7⅝	7¾	8¼
Over 6 up to 7	7¾	7¾	8½
Over 7 up to 8	7⅞	7⅞	8¾
Over 8 up to 9	7⅞	8⅛	9
Over 9 up to 10	8⅛	8¼	9¼
Over 10 up to 15	8¾	9⅛	9⅜
Over 15 up to 25	9⅝	9¾	9⅞
Over 25	9⅞	10	10

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Regrouped and ready for the fray

Robert Peston on NatWest's investment banking arm

NATIONAL WESTMINSTER Bank's history in investment banking has been littered with disappointed hopes.

Since the London stock market was deregulated in 1986, it has been embroiled in two financial scandals, it has consistently made losses or poor financial returns and a series of senior executives have quit.

However, Mr Martin Owen believes the curse has been lifted. In June he became chief executive of NatWest Markets, which is a new division of NatWest combining its investment bank with that part of the commercial bank serving big companies.

"All of NatWest Market's businesses are forecast to be in profit in 1993, even after full absorption of costs", he said in his first interview since taking the helm.

The aim is for the business as a whole to make pre-tax profits equal to a 14 per cent return on capital, in addition to the risk-free return on the capital. He said that means it is intended to make between 15 per cent and 17.5 per cent in total.

His confidence stems from the six months review of the businesses which he has recently completed. Nonetheless, the challenge he has set himself should not be underestimated.

If NatWest was brave – some would say foolhardy – to enter securities trading in the first place in 1986, it is now being even braver by integrating its securities and investment banking activities with its lending activities.

In the process, it has created a huge new hybrid institution, with capital of £3bn and assets (loans and securities) of £65bn.

By contrast, its main UK rival, Barclays, has combined foreign exchange and treasury operations with its investment bank, Barclays de Zoete Wedd, but balked at including corporate lending in the new division.

Lending bankers are widely regarded in the City of London as undesirable bedfellows for the more highly paid – and some would also say "more highly strung" – investment bankers. Institutions attempting to integrate them have typically faced difficulties, because they have different business time horizons (the investment bankers generally have a short-term dealing mentality).

Nonetheless, NatWest Markets has appointed 40 senior managers – called service originators – to talk to corporate clients about the full range of lending, securities and investment management products. These clients make up 80 per cent of the UK's 300 biggest companies.

In the process of merging the commercial banking and investment banking operations, certain overlaps have been identified. So in the next few months a couple of hundred jobs will go from NatWest Market's current tally of 5,000.

Last week, 50 jobs were lost in the global custody – or share registration – operations in Bristol and 70 people are going because of the decision to give up a seat on the Tokyo Stock Exchange.

The review has also involved an element of "rebranding", at a cost of less than £500,000. A small design company, Ingleton Thomas, has invented a new logo, incorporating the initials, NWM.

In addition, County NatWest Ventures' name is being changed to NatWest Ventures, to match the name change of the equities trading operation.

Mr Owen has also belatedly recognised the value of the name, Wood Mackenzie, which is the name of a broker it acquired after Big Bang. Its corporate stockbroking business, providing advice to companies on share issues, is being renamed NatWest Wood Mackenzie.

COMPANY NEWS: UK

Sweet smell of success from the right product mix

Matthew Curtin looks at Thorntons' strategy for overcoming seasonal sales variations

THE CHRISTMAS rush has special meaning for Thorntons because the chocolate maker and retailer derives nearly a third of its yearly turnover from Yuletide sales.

A box of Thorntons Continental chocolates has a shelf-life of three weeks, an indication of the disaster lurking if the group does not judge the Christmas market accurately.

Thorntons' dependence on seasonal business is exaggerated by the fact that another 25 per cent of turnover comes at Easter, Mothers Day and Valentines Day.

Turnover for the year to end-June amounted to £84.3m. Seasonal factors are aggravated by the group's susceptibility to the weather, which if bad keeps people off the streets – and away from Thorntons' champagne truffles, hazelnut pralines and special toffee.

Mr John Thornton, chairman, is one person who is not dreaming of a white Christmas. Christmas sales will be strong, he says, "as long as it doesn't snow".

The group earns three quarters of its revenue from Thorntons' 395 shops and franchises on Britain's high streets. They have to woo pedestrian traffic which has declined in recent years because of the recession and the move away from high street retailing to superstores.

Thorntons sensitivity to these factors was amply demonstrated in the last financial year.

Mr Thornton attributes some of the blame for a disappointing 23 per cent fall in pre-tax profit – from £11.9m to £9.2m – to unseasonally hot weather in May and June.

"People don't buy chocolate when it's 80 degrees," he says.

The company was also hit by its decision not to absorb the VAT increase. It tried to push up volume to compensate but failed. In addition to the general recessionary climate, high street rents increased and Easter sales were upset by the general election in April.

Thorntons' growth and profitability in the 1990s will depend on the success of the different strategies it has undertaken to cope with the idiosyncrasies of the UK chocolate business, not only at Christmas.

Mr Thornton says the group is striving to improve the way it manages stock to ensure "stock does end up in the right place at the right time". It recently installed a computerised stock accounting system whereby shop staff input sales information into hand-held terminals connected to Thorntons' main factory near Derby.

The group is also planning to introduce electronic point of sales scanning equipment, to provide immediately accurate pricing and stock taking by reading product bar-codes, in the near future.

Thorntons has techniques of its own for combating the Christmas sales onslaught. It aims to sell out of its speciality Christmas products well before December 25, relying then on seasonally packaged chocolates and "seasonalised" products.

The latter are ordinary Thorntons ranges which can be taken out of their Christmas wrapping for sale in the New Year without losing their freshness.

Mr Thornton adds that should sales be overestimated, product can be held back at the factory where it will last longer in cold storage.

Gauging the progress of Christmas sales is difficult but initial indications are that response has been good to this year's Christmas advertising campaign. The relaunch of Thornton's Continental chocolate boxes lifted sales, and the launch of the Select collection in the autumn added 6 per cent to turnover at the 150 shops at which it is available.

He says this recession has proved particularly difficult because of the erosion of high street trade, which had held up well in previous downturns. Outside of Christmas and Easter, Thorntons relies on impulse buying from passers-by, and their numbers are falling.

The group has met this challenge in part by expanding its commercial operations – supplying chocolates and ice-cream to supermarkets, including Marks and Spencer, Sainsbury and Boots.

These sales are approaching a fifth of overall turnover, and increased more than 50 per cent to £14.8m last year.

The group broadened the variety of chocolate products to suit supermarket shelves, and stepped up its premium ice-cream business. The value of the UK premium brand ice-cream market has doubled to about £450m in five years, of which Thorntons had a 7 per cent share in mid-1992, after New England (10 per cent) and Grand-Metropolitan's Haagen-Dasz (20 per cent).

However, higher ice-cream sales in the hot weather in May and June were not enough to offset the fall in higher-value chocolate sales.

Progress has been more disappointing with regard the group's attempt to break into the European market. Thorntons bought Gartner, a specialist Belgian chocolate maker, in 1988 but its real push came with the purchase of French confectioners Sogeco and La Nouvelle de Confiserie in 1989.

The appeal of the French acquisitions was the established brand names which came with them – particularly the well-known Martial – and the different market mix.

Mr Thornton says 80 per cent of its UK sales are chocolate and 17 per cent toffee. In contrast, the French market is divided equally between chocolate, ice-cream, sugared almonds – traditional fare at weddings – and sugar confectionery, providing "a different weather balance".

However, he admits re-organising the French businesses and returning them to profit has taken longer than the group expected, not least because of the different working and sweet-eating cultures.

Thorntons (France) contributed a loss of £750,000 last year, down from £850,000 a year earlier. But comparisons with the UK business are not easy because French factories supply UK stores and vice-versa. Central overheads are still too high in relation to the number of shops Thorntons has, but it is about to accelerate the expansion of its network of 58 Martial outlets this year.

Mr Thornton says the group is investigating the establishment of a retailing presence in a second country on the Continent, examining the options in Belgium, Germany and the Netherlands.

A hostage to the weather: John Thornton hopes the snow will hold off until after Christmas

NEWS DIGEST

Fletcher King shows 34% slide

FLETCHER KING, the commercial estate agency and management concern, suffered further from the deterioration in the economy and property market in the six months ended October 31 1992.

Mr David Fletcher, chairman, said the company had done well to hold the decline in turnover to under 6 per cent, at £2.53m against £2.68m. The pre-tax profit, however, tumbled 34 per cent, from £108,000 to £71,000.

The volume of transactions increased by more than 13 per cent, although the average fee was some 17 per cent lower.

Howard Associates, the construction management, project management and quantity surveying subsidiary, continued to perform well and again made a significant contribution.

Earnings per share slipped to 0.5p (0.8p) and the interim dividend is again 0.5p.

Plantsbrook buying Scottish company

Plantsbrook, the funeral services group, has conditionally agreed to buy Portland Funeral Services, of Kilmarnock, for £790,000 cash.

It is also at an advanced stage of negotiation for another similar sized acquisition, and is raising £2m through the placing of 3.38m shares at 60p each.

Portland carries out some 560 funerals per annum and is expected to enhance earnings in the first year of ownership.

Mosaic circular soon on current situation

At the annual meeting of Mosaic Investments yesterday, Mr Hugh Sykes, chairman, told shareholders that since his appointment last October, he had undertaken a thorough review of the group's operations.

This had involved talks with the company's bankers, holders of deferred consideration and a number of others with a view to ensuring that the company could be put on the best footing and achieve a relisting as soon as possible.

Mr Sykes said that the group continued to trade profitably and he planned to be in a position to put a circular containing a number of proposals to shareholders as soon as possible in the new year. The interim results for the six months to October 31 would be included in that circular.

Fourth interim at TR High Income

TR High Income Trust is to pay a fourth interim dividend of 1.4p, bringing the total to date for the year to 4.8p.

The trust will be declaring a fifth interim dividend on February 23 1993, thereby completing the dividend pay-out for the year to December 31 1992.

Parkland to sell Maitland UK

Parkland Textile, the Bradford-based woollen yarn, worsted cloth and clothing manufacturer, is selling its UK garment manufacturing facility, Maitland UK, to B Berwin for £1.26m, comprising a cash payment of £132,000 and the assumption of borrowings amounting to £1.13m.

Despite recent reorganisation Maitland has continued to occur significant losses – £642,000 before interest and tax in the year ended February 28 1992. All employees are to be offered employment by Berwin on terms "no less favourable" than those currently enjoyed.

Maitland's principal activities are the manufacture of own label men's suits, jackets and trousers for retailers.

The sale needs shareholder approval.

EFM Japan asset value at 117.58p

EFM Japan Trust, which was launched in June, saw its net assets value reach 117.58p at November 30.

After allowing for initial launch costs the figure showed a growth of 22 per cent over the period from June 8. In part the improvement reflected sterling's weakness relative to the yen.

Gross income in the period came to £125,000 and earnings worked through at 0.61p.

EIS pays £3.7m for Silleck Mouldings

EIS Group, the specialist engineer, is paying £3.74m cash for the business and certain assets of Silleck Mouldings from the receivers.

Silleck is a high quality technical plastics moulder, and its business is entirely complementary to the EIS subsidiaries Davall Moulded Gears and MGC.

EIS has bought the facilities in Eaglescliffe, Cleveland, and Inchinnan, Scotland, where customers include many of the leading blue chip original equipment makers in information technology, TV, domestic appliances, car parts and leisure goods.

Victoria Carpet falls to £227,000

Pre-tax profits of Victoria Carpet Holdings fell from £883,000 to £227,000 for the six months ended September 30. Turnover declined from £17.19m to £16.37m.

The results reflected the recession, and in particular the sharp downturn in the housing market.

Earnings dropped to 2.03p (8.48p) per share.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 21, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63.4387	40.4689	51.6254
Albania	(Lek)	172.15	110.035	70.1936	89.5448
Algeria	(Dinar)	34.35	21.9558	14.0061	17.8673
Andorra	(Fr Fr)	8.3825	5.3579	3.4179	4.3602
	(Sp Peseta)	173.45	110.866	70.7237	90.221
Angola	(Kwanza)	876.17	560.032	357.256	455.745
Antigua	(E Carr $)	4.23	2.7037	1.7247	2.2002
Argentina	(Peso)	1.5486	0.9899	0.6315	0.8056
Aruba	(Florin)	2.8013	1.7905	1.1422	1.4571
Australia	(Aus $)	2.2580	1.4432	0.9206	1.1745
Austria	(Schilling)	17.255	11.029	7.0356	8.9752
Azores	(Port Escudo)	221.10	141.323	90.1529	115.007
Bahamas	(Bahama $)	1.5645	1	0.6379	0.8137
Bahrain	(Dinar)	0.5910	0.3777	0.2409	0.3074
Balearic Is	(Sp Peseta)	173.45	110.866	70.7237	90.221
Bangladesh	(Taka)	61.2131	39.1263	24.9594	31.8403
Barbados	(Barb $)	3.1477	2.0119	1.2834	1.6372
Belgium	(Belg Fr)	50.60	32.3426	20.632	26.3198
Belize	(B $)	3.13	2.0006	1.2762	1.628
Benin	(CFA Fr)	419.13	267.9	170.899	218.013
Bermuda	(Bermudian $)	1.5645	1	0.6379	0.8137
Bhutan	(Ngultrum)	45.117	28.8379	18.3963	23.4678
Bolivia	(Boliviano)	6.4008	4.0912	2.6099	3.3294
Botswana	(Pula)	3.4656	2.2151	1.413	1.8026
Brazil	(Cruzeiro)	17989.25	11498.4	7335.07	9357.22
Brunei	(Brunei $)	2.5703	1.6428	1.048	1.3369
Bulgaria	(Lev)	36.636	23.417	14.9382	19.0564
Burkina Faso	(CFA Fr)	419.13	267.9	170.899	218.013
Burma	(Kyat)	9.8485	6.2949	4.0156	5.1227
Burundi	(Burundi Fr)	353.56	225.989	144.163	183.906
Cambodia	(Riel)	3130.0	2000.64	1276.25	1628.09
Cameroon	(CFA Fr)	419.13	267.9	170.899	218.013
Canada	(Canadian $)	1.9825	1.2671	0.8083	1.0312
Canary Is	(Sp Peseta)	173.45	110.866	70.7237	90.221
Cp. Verde	(CV Escudo)	98.015	62.6494	39.9653	50.983
Cayman Is	(CI $)	1.3302	0.8502	0.5423	0.6919
Cent.Afr. Rep	(CFA Fr)	419.13	267.9	170.899	218.013
Chad	(CFA Fr)	419.13	267.9	170.899	218.013
Chile	(Chilean Peso)	590.70	377.565	240.856	307.256
China	(Renminbi Yuan)	9.1562	5.8524	3.7334	4.7626
Colombia	(Col Peso)	1265.30	808.757	515.923	658.153
CIS ‡	(Rouble)	0.8762o	0.56	0.3572	0.4557
		655.82m	419.188	267.409	341.129
Comoros	(CFA Fr)	419.13	267.9	170.899	218.013
Congo (Brazz)	(CFA Fr)	419.13	267.9	170.899	218.013
Costa Rica	(Colon)	214.42	137.053	87.4291	111.532
Côte d'Ivoire	(CFA Fr)	419.13	267.9	170.899	218.013
Croatia	(Dinar)	1095.02	699.917	446.491	569.581
Cuba	(Cuban Peso)	1.1853	0.7576	0.4833	0.6165
Cyprus	(Cyprus £)	0.7320	0.4678	0.2984	0.3807
Czechoslovakia	(Koruna)	44.542c	28.4704	18.1618	23.1687
		43.171	27.5934	17.6024	22.4551
Denmark	(Danish Kroner)	9.4575	6.045	3.8562	4.9193
Djibouti Rep	(Djib Fr)	275.50	176.095	112.334	143.303
Dominica	(E Carrib $)	4.23	2.7037	1.7247	2.2002
Dominican Rep	(D Peso)	20.345	13.0041	8.2956	10.5825
Ecuador	(Sucre)	2895.25o	1850.59	1180.53	1505.98
		2920.29n	1866.6	1190.74	1519.01
Egypt	(Egyptian £)	5.14	3.2853	2.0958	2.6736
El Salvador	(Colon)	13.6937	8.7527	5.5835	7.1228
Equat'l Guinea	(CFA Fr)	419.13	267.9	170.899	218.013
Estonia	(Kroon)	19.8960	12.7171	8.1125	10.349
Ethiopia	(Ethiopian Birr)	7.7529	4.9555	3.1612	4.0327
Falkland Is	(Falk £)	1.00	0.6391	0.4077	0.5201
Faroe Is	(Danish Kroner)	9.4575	6.045	3.8562	4.9193
Fiji Is	(Fiji $)	2.4385	1.5586	0.9942	1.2684
Finland	(Markka)	8.0365	5.1367	3.2768	4.1802
France	(Fr)	8.3825	5.3579	3.4179	4.3602
Fr Cty/Africa	(CFA Fr)	419.13	267.9	170.899	218.013
Fr Guiana	(Local Fr)	8.3825	5.3579	3.4179	4.3602
Fr. Pacific Is	(CFP Fr)	151.25	96.6762	61.6717	78.6736
Gabon	(CFA Fr)	419.13	267.9	170.899	218.013
Gambia	(Dalasi)	13.679	8.7433	5.5775	7.1152
Germany	(D-Mark)	2.4525	1.5675	1	1.2756
Ghana	(Cedi)	796.875	509.348	324.924	414.499
Gibraltar	(Gib £)	1.00	0.6391	0.4077	0.5201
Greece	(Drachma)	325.875	208.293	132.875	169.506
Greenland	(Danish Krone)	9.4575	6.045	3.8562	4.9193
Grenada	(E Carr $)	4.23	2.7037	1.7247	2.2002
Guadaloupe	(Local Fr)	8.3825	5.3579	3.4179	4.3602
Guam	(US $)	1.5645	1	0.6379	0.8137
Guatemala	(Quetzal)	8.3571	5.3417	3.4075	4.3469
Guinea	(Fr)	1271.29	812.547	518.34	661.238
Guinea-Bissau	(Peso)	7825.0	5001.6	3190.62	4070.22
Guyana	(Guyanese $)	187.80	120.038	76.5749	97.6853
Haiti	(Gourde)	16.51	10.5529	6.7319	8.5877
Honduras	(Lempira)	9.2178	5.8918	3.7585	4.7946
Hong Kong	(HK $)	12.1002	7.7342	4.9338	6.2939
Hungary	(Forint)	129.24	82.6078	52.6972	67.2249
Iceland	(Icelandic Krona)	98.12	62.7165	40.0081	51.0377
India	(Indian Rupee)	45.117	28.8379	18.3963	23.4678
Indonesia	(Rupiah)	3260.45	2084.01	1329.43	1695.93
Iran	(Rial)	2270.0w	1450.94	925.586	1180.75
		101.756	65.0367	41.4882	52.9258
Iraq	(Iraqi Dinar)	0.5936	0.3794	0.242	0.3087
Irish Rep	(Punt)	0.9265	0.5922	0.3777	0.4819
Israel	(Shekel)	4.20	2.6846	1.7125	2.1846
Italy	(Lira)	2202.75	1407.96	898.165	1145.77
Jamaica	(Jamaican $)	34.43	22.007	14.0387	17.9089
Japan	(Yen)	192.25	122.883	78.3893	100
Jordan	(Jordanian Dinar)	1.0540	0.6736	0.4297	0.5482
Kenya	(Kenya Shilling)	57.40	36.689	23.4046	29.8569
Kiribati	(Australian $)	2.2580	1.4432	0.9206	1.1745
Korea North	(Won)	3.364	2.1502	1.3716	1.7498
Korea South	(Won)	1236.45	790.316	504.159	643.147
Kuwait	(Kuwaiti Dinar)	0.46900	0.2997	0.1912	0.2439
Laos	(New Kip)	1118.98	715.232	456.261	582.044
Lebanon	(Lebanese £)	2883.40	1843.02	1175.7	1499.82
Lesotho	(Maloti)	4.7013	3.0049	1.9169	2.4454
Liberia	(Liberian $)	1.5645	1	0.6379	0.8137
Libya	(Libyan Dinar)	0.4462	0.2852	0.1819	0.232
Liechtenstein	(Swiss Fr)	2.2125	1.4141	0.9021	1.1508
Luxembourg	(Lux Fr)	50.60	32.3426	20.632	26.3198
Macao	(Pataca)	12.5087	7.9953	5.1003	6.5064
Madagascar	(MG Fr)	2862.07	1829.38	1167	1488.72
Madeira	(Port Escudo)	221.10	141.323	90.1529	115.007
Malawi	(Kwacha)	6.604	4.2211	2.6927	3.4351
Malaysia	(Ringgit)	4.0375	2.5806	1.6462	2.1001
Maldive Is	(Rufiya)	18.74	11.9782	7.6411	9.7477
Mali Rep	(CFA Fr)	419.13	267.9	170.899	218.013
Malta	(Maltese £)	0.5736	0.3666	0.2338	0.2983
Martinique	(Local Fr)	8.3825	5.3579	3.4179	4.3602
Mauritania	(Ouguiya)	165.89	106.034	67.6411	86.2886
Mauritius	(Maur Rupee)	25.58	16.3502	10.4301	13.3055
Mexico	(Mexican Peso)	4873.43	3115.01	1987.13	2534.94
Miquelon	(Local Fr)	8.3825	5.3579	3.4179	4.3602
Monaco	(French Fr)	8.3825	5.3579	3.4179	4.3602
Mongolia	(Tugrik)	62.60	40.0127	25.5249	32.5617
Montserrat	(E Carr $)	4.23	2.7037	1.7247	2.2002
Morocco	(Dirham)	12.8030	8.1834	5.2203	6.6595
Mozambique	(Metical)	4281.40	2736.59	1745.73	2227
Namibia	(S A Rand)	4.7013	3.0049	1.9169	2.4454
Nauru Is	(Australian $)	2.2580	1.4432	0.9206	1.1745
Nepal	(Nepalese Rupee)	72.975	46.6442	29.7552	37.9883
Netherlands	(Guilder)	2.7600	1.7641	1.1253	1.4356
N'nd Antilles	(A/Guilder)	2.8013	1.7905	1.1422	1.4571
New Zealand	(NZ $)	3.0243	1.933	1.2331	1.5731
Nicaragua	(Gold Cordoba)	7.825	5.0015	3.1906	4.0702
Niger Rep	(CFA Fr)	419.13	267.9	170.899	218.013
Nigeria	(Naira)	31.926	20.4065	13.0177	16.6065
Norway	(Nor. Krone)	10.5600	6.7497	4.3058	5.4906
Oman	(Rial Omani)	0.6035	0.3857	0.246	0.3139
Pakistan	(Pak. Rupee)	39.926	25.5199	16.2797	20.7677
Panama	(Balboa)	1.5645	1	0.6379	0.8137
Papua New Guinea	(Kina)	1.5395	0.984	0.6277	0.8007
Paraguay	(Guarani)	2500.87	1598.51	1019.72	1300.84
Peru	(New Sol)	2.55	1.6299	1.0397	1.3263
Philippines	(Peso)	38.60	24.6724	15.739	20.078
Pitcairn Is	(£ Sterling)	1.00	0.6391	0.4077	0.5201
	(NZ $)	3.0243	1.933	1.2331	1.5731
Poland	(Zloty)	24146.0	15433.7	9845.46	12559.7
Portugal	(Escudo)	221.10	141.323	90.1529	115.007
Puerto Rico	(US $)	1.5645	1	0.6379	0.8137
Qatar	(Riyal)	5.7057	3.6469	2.3264	2.9678
Reunion Is. de la	(F Fr)	8.3825	5.3579	3.4179	4.3602
Romania	(Leu)	673.16	430.272	274.479	350.148
Rwanda	(Fr)	219.06	140.019	89.3211	113.945
St Christopher	(E Carr $)	4.23	2.7037	1.7247	2.2002
St Helena	(£)	1.00	0.6391	0.4077	0.5201
St Lucia	(E Carr $)	4.23	2.7037	1.7247	2.2002
St Pierre	(French Fr)	8.3825	5.3579	3.4179	4.3602
St Vincent	(E Carr $)	4.23	2.7037	1.7247	2.2002
San Marino	(Italian Lira)	2202.75	1407.96	898.165	1145.77
Sao Tome	(Dobra)	375.60	240.077	153.15	195.371
Saudi Arabia	(Riyal)	5.8785	3.7574	2.3969	3.0577
Senegal	(CFA Fr)	419.13	267.9	170.899	218.013
Seychelles	(Rupee)	8.0126	5.1216	3.2671	4.1679
Sierra Leone	(Leone)	805.975	515.165	328.634	419.233
Singapore	($)	2.5703	1.6428	1.048	1.3369
Slovenia	(Tolar)	149.688	95.6778	61.0348	77.8611
Solomon Is	($)	4.7915	3.0626	1.9537	2.4923
Somali Rep	(Shilling)	4100.3	2620.84	1671.89	2132.8
South Africa	(Rand)	4.7013c	3.0049	1.9169	2.4454
		7.7140	4.9306	3.1453	4.0124
Spain	(Peseta)	173.45	110.866	70.7237	90.221
Spanish Ports in N Africa	(Sp Peseta)	173.45	110.866	70.7237	90.221
Sri Lanka	(Rupee)	70.0674	44.7858	28.5697	36.4459
Sudan Rep	(Dinar)	15.650	10.0031	6.3812	8.1404
Surinam	(Guilder)	2.7935	1.7855	1.139	1.453
Swaziland	(Lilangeni)	4.7013	3.0049	1.9169	2.4454
Sweden	(Krona)	10.8350	6.9255	4.4179	5.6358
Switzerland	(Fr)	2.2125	1.4141	0.9021	1.1508
Syria	(£)	32.86	21.0035	13.3985	17.0923
Taiwan	($)	39.90	25.5033	16.2691	20.7542
Tanzania	(Shilling)	513.32	328.105	209.305	267.007
Thailand	(Baht)	39.90	25.5033	16.2691	20.7542
Togo Rep	(CFA Fr)	419.13	267.9	170.899	218.013
Tonga Is	(Pa Anga)	2.2580	1.4432	0.9206	1.1745
Trinidad/Tobago	($)	7.1207	4.55	2.9034	3.7038
Tunisia	(Dinar)	1.4498	0.9266	0.5911	0.7541
Turkey	(Lira)	13106.3	8377.31	5344.06	6817.32
Turks & Caicos	(US $)	1.5645	1	0.6379	0.8137
Tuvalu	(Australian $)	2.2580	1.4432	0.9206	1.1745
Uganda	(New Shilling)	1900.47	1214.75	774.911	988.541
U A E	(Dirham)	5.7568	3.6796	2.3473	2.9944
United Kingdom	(£)	1.00	0.6391	0.4077	0.5201
United States	(US $)	1.5645	1	0.6379	0.8137
Uruguay	(Peso)	5397.68	3450.1	2200.89	2807.64
Vanuatu	(Vatu)	186.53	119.227	76.057	97.0247
Vatican	(Lira)	2202.75	1407.96	898.165	1145.77
Venezuela	(Bolivar)	123.79	79.1243	50.475	64.3901
Vietnam	(Dong)	16776.8	10723.4	6840.69	8726.55
Virgin Is-British	(US $)	1.5645	1	0.6379	0.8137
Virgin Is-US	(US $)	1.5645	1	0.6379	0.8137
Western Samoa	(Tala)	3.9539	2.5272	1.6121	2.0566
Yemen (Rep of)	(Rial)	25.8225	16.5052	10.529	13.4317
Yemen (Rep of)	(Dinar)	0.7277	0.4651	0.2967	0.3785
Yugoslavia	(New Dinar)	1173.75	750.24	478.593	610.533
Zaire Rep	(Zaire)	2964705.0	1894986	1208850	1542109
Zambia	(Kwacha)	492.97	315.097	201.007	256.421
Zimbabwe	($)	8.396	5.3665	3.4234	4.3672

Special Drawing Rights December 18, 1992 United Kingdom £0.889927 United States $1.39674 Germany D Mark 2.18646 Japan Yen171.799
European Currency Unit Rates December 21, 1992 United Kingdom £0.798581 United States $1.25018 Germany D Mark 1.95728 Japan Yen153.897

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate, (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (w) Floating rate; ‡ CIS applies to states in the Rouble Zone.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Christmas/New Year publication dates: The FT Guide to World Currencies will appear in the editions of Tuesday December 29 1992 and Saturday January 2 1993

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Ivory & Sime rises to £2.27m

By Philip Coggan, Personal Finance Editor

IVORY & SIME, the fund management group, has announced an 8.5 per cent rise, from £2.09m to £2.27m, in pre-tax profits for the six months to October 31.

The Edinburgh-based group is increasing its interim dividend by 40 per cent, from 1.25p to 1.75p, as part of a strategy of reducing the disparity with the final. The board said the final would be not less than last year's 4.5p.

Funds under management were stable at £2.95bn, with the effect of rising stock markets offsetting the loss of some client funds, such as the Ensign Trust contract. About half of that total was in investment trusts, and a quarter in pension funds.

In November Ivory & Sime acquired a direct marketing company called McColl McGregor, which will help develop its investment trust business.

Mr David Newbigging, chairman, said that earnings per share, up 19 per cent from 4.15p to 4.94p, had benefited "from continued attention to cost control and tighter management of working capital." Administrative expenses fell from £5.14m to £4.8m, while interest and investment income rose from £437,000 to £581,000. The company also bought 2.25m of its own shares, for cancellation, during the period.

Faupel rises to £0.4m on back of lower interest

By Peter Pearse

AN INTEREST charge reduced from £402,000 to £368,000 enabled Faupel Trading Group, the USM-quoted textile importer, to lift pre-tax profits from £611,000 to £639,000 in the six months to September 30.

A fall in interest payable also lay behind the pre-tax rise in the year to end-March after operating profits slipped to £1.95m (£2.04m). This time they eased £6,000 to £1.01m on turnover ahead at £13.9m (£12.1m).

Mr Iain Brown, chief executive, said that lower rates and the fact that Faupel's imports were financed on trust receipts on dollar rates accounted for the interest fall.

Sales during the summer were "generally patchy", according to Mr Michael Molloy, chairman. Mr Brown added that the public's general lack of confidence had led to an uncertain performance at retail level with a "disappointing pre-Christmas run".

When asked about any upturn at the year-end, Mr Brown had said he had seen half a robin on the lawn, but that it flew away. He said yesterday that so far it had not returned.

Household textiles, which accounted for about one-third of group turnover, performed above expectations, though with "tight margins" at the lower priced end.

Within garments, which accounted for the other two-thirds, the contract sales division, which supplied customers such as BhS, Harrods, Empire Stores and GUS, had difficulties getting "clients to call in stock on due time".

Earnings were unchanged at 5.19p per share, as was the interim dividend at 1.85p.

Impending classification changes in the London Share Service

A series of changes to the classifications of companies listed on the London Stock Exchange was made at the last quarterly meeting of the FT-Actuaries Indices Classification Sub-Committee.

As a result, the following stocks will be moved to new categories in the London Share Service with effect from January 4 1993.

British Thornton to Miscellaneous (FT-A sector 48) from Electronics (FT-A sector 5); Fitzwilton to Food Retailing (26) from Miscellaneous (48); Hobson to Miscellaneous (48) from Engineering-General (7); RPS Group to Property (69) from Miscellaneous (48); Silvermines to Electricals (4) from Engineering-General (7); Somerset Trust to Other Financial (70) from Investment Trusts (84); Tamaris to Health & Household (27) from Miscellaneous (48); Time Products to Business Services (41) from Miscellaneous (48); Tomkins to Conglomerates (43) from Other Industrials (10).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Faupel Trading §......int	1.85	Feb 15	1.85	-	4.9
Fletcher King ....int	0.5	Mar 1	0.5	-	1
Ivory & Sime ....int	1.75	Jan 29	1.25	-	5.75
TR High Income ......int	1.4‡	Dec 31	1.4	-	6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Fourth interim making 4.8p so far this year.

First cracks appear in the standards-setting machinery

Rule bending in accounting. Andrew Jacks reports

DAVID Tweedie, chairman of the Accounting Standards Board, has been highly animated in the last few days. The reason is not his usual zealotry, but a growing anger as the first cracks have started to appear in the standards-setting machinery over which he presides.

Just a little over two years since the ASB was created, companies are starting to show signs of bending the new rules to suit their own purposes – while their auditors turn a blind eye.

Last week the ASB issued a curt statement on the way in which some companies are interpreting a ruling from its urgent issues task force on the treatment of goodwill on the disposal of an acquisition. Its implications are far wider.

"As with accounting standards it is important when applying task force abstracts to be guided by the spirit and reasoning .. so as to achieve their underlying purpose," it stressed.

"I'm furious," says Mr Tweedie. "I thought we could get away from this approach. I have told the profession that they can either play the game and get short standards, or play by the letter of the law and they will get monster standards."

The problem dates back almost a year, when the task force issued its third abstract concerning the treatment of goodwill -the difference between the purchase price of an acquisition and its net asset value.

The ruling said that from January 23 this year, companies would have to pass through the profit and loss account the goodwill of a business when they disposed of it. That caused considerable consternation among businesses, since the amounts involved were substantial and many companies had previously simply buried the gain or loss in reserves.

David Tweedie: getting angry with the rule-benders

So many voiced concern at the proposals and the speed at which the abstract was to become mandatory that the ASB was forced to allow greater time for consultation on future pronouncements.

But that was clearly not enough for many companies. Company Reporting, the Edinburgh-based monthly monitoring service of annual reports, began to highlight divergences from the ruling in the autumn.

Others were drawn to the ASB's attention from other sources. Audit partners in the larger accounting firms warned that more clients were on the brink of adopting the same approach if no action was taken.

Last week's statement from the urgent issues task force stresses two points in response to alternative treatments beginning to appear:

- The goodwill element should be included as part of a single number showing the profit or loss on disposal, not distanced from it as a separate item.
- There should not be a credit to the profit and loss account before the deduction of dividends which is equal to the amount of goodwill on disposal. There should be no implication through devices such as a sub-total that profit is calculated after re-instating the goodwill.

Among those adopting alternative approaches was Enterprise Computer Holdings. Its accounts for the 15 months to March 31 show separate extraordinary losses of £1.1m for sale and closure of subsidiaries, and £23.1m for purchased goodwill written off to reserves. It also breaches the second ASB point by showing a gain of £23.1m on the profit and loss account after dividend payments entitled "reinstatement of goodwill written off above".

Racal Electronics – audited by Touche Ross – showed an extraordinary loss of £53.8m in its latest accounts. That is explained at the bottom of the profit and loss account, with separate lines showing a £1.1m loss on disposal and closure of businesses, and £12.2m on acquisition goodwill written off in prior years.

Hickson International - audited by Price Waterhouse - shows exceptional and extraordinary losses. The notes on both items listed goodwill separately from disposal profits and losses. A statement of retained earnings on the profit and loss account shows a reinstatement of £9.7m of goodwill.

Halma – also audited by Price Waterhouse – shows a £1.1m extraordinary debit, itemised as a £437,000 loss before goodwill adjustment and a goodwill adjustment of £656,000. It then reinstates the goodwill after profits and before a prominently displayed final "profit" figure.

Companies bending the rules on goodwill in the future may well end up before the financial reporting review panel, and their auditors before their professional bodies. Both will face highly detailed rules if they continue to ignore the spirit of ASB standards.

Adam may take legal action

By James Buxton, Scottish Correspondent

ADAM & CO, the private Edinburgh-based bank which lost more than twice its capital in unauthorised foreign exchange dealing, is contemplating litigation against KPMG Peat Marwick, its auditors who were replaced at the annual meeting yesterday by Ernst & Young.

Sir Charles Fraser, chairman, said the bank had been advised that there was a prima facie case against Peat Marwick in whom the board had lost confidence. "I don't think anyone would be surprised that [litigation] is a possibility," he said.

In September Adam & Co revealed that it had lost £21m in irregular operations on behalf of a client by two foreign exchange dealers in its London branch. Although the bank's £10m capital was wiped out, it was immediately rescued by Mrs Francoise Schlumberger Primat, a 75-year-old director and principal shareholder who injected £21m.

Although two foreign exchange dealers have been sacked no one has left the board as a result of the affair and shareholders re-elected it at yesterday's relatively peaceful meeting.

But Mr David Simpson, general manager (investment) of Standard Life which is a shareholder in Adam & Co, questioned whether it was right that the bank's senior management should remain in place after the loss.

The annual report, he said, stated that "the basis of the problem [leading to the loss] lay in the expansion into an area of business with which management was unfamiliar, as a result of which the correct controls for that particular business were not put in place at the time."

He also quoted a letter which Peat Marwick sent to shareholders in which it said "it now appears that [Adam & Co's] control mechanisms over foreign currency transactions were not properly operated by management." In previous years they had recommended strengthening controls. "These recommendations were accepted but not fully implemented," Peat Marwick wrote.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 22.12.92: Pool purchase price £/MWh	Final Prices for Trading on 24.11.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.82	18.02	18.02
0100	22.43	22.94	24.38
0130	28.11	23.87	26.34
0200	28.11	23.87	25.31
0230	22.48	23.87	25.28
0300	22.43	23.87	25.29
0330	20.46	20.80	20.80
0400	19.87	17.80	17.80
0430	18.72	17.82	17.82
0500	18.72	17.72	17.72
0530	19.30	17.72	17.72
0600	[illegible]	18.02	18.02
0630	19.90	18.02	18.02
0700	20.20	22.46	23.87
0730	22.88	[illegible]	24.81
0800	[illegible]	23.18	24.59
0830	26.40	26.45	27.97
0900	26.40	33.70	35.49
0930	25.45	23.24	24.60
1000	25.46	33.70	35.44
1030	23.11	33.70	35.45
1100	[illegible]	26.46	27.93
1130	23.11	29.47	[illegible]
1200	[illegible]	26.45	27.92
1230	23.11	29.47	31.05
1300	[illegible]	26.45	27.93
1330	23.11	23.95	25.34
1400	20.46	23.95	25.34
1430	20.46	26.45	27.94
1500	20.46	26.45	27.94
1530	20.85	23.24	24.61
1600	23.17	27.46	28.98
1630	29.15	33.24	35.48
1700	31.09	36.01	38.62
1730	30.54	36.21	38.72
1800	30.47	[illegible]	38.29
1830	26.53	30.50	32.06
1900	26.27	29.37	30.83
1930	27.18	27.97	29.40
2000	23.11	27.97	29.42
2030	22.87	23.24	24.58
2100	22.87	23.24	24.59
2130	22.87	23.07	24.42
2200	22.87	23.07	24.44
2230	20.03	22.47	23.82
2300	19.87	20.92	20.92
2330	18.72	[illegible]	18.03
2400	18.70	18.02	18.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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COMMODITIES AND AGRICULTURE

Coffee prices surge to fresh 13-month highs

By David Blackwell

WORLD COFFEE prices surged yesterday as New York's March arabica contract pushed decisively through the 80 cents a lb barrier in heavy early trading. Late yesterday the March contract was trading at 81.75 cents a lb, more than 2 cents ahead, with some observers looking for 85 cents ahead of the Christmas break. In London, the March robusta contract closed at $1,067 a tonne – a 13-month peak.

Sentiment has turned bullish in the coffee markets on expectations of a lower crop in Brazil and a tightness in Colombian exports. Brazilian exports for 1992 are expected to be down 17 per cent at 16.3m bags (60 kg each), and to fall further to 14.4m bags next year.

However, strong resistance to the 80 cents barrier halted a recent run of prices. Once that level was breached, New York commission houses started buying heavily. "There has been no sign of origin selling today," said one London trader who would be "very surprised" if the New York market fell back below 80 cents.

Ms Judith Ganes, analyst with Merrill Lynch in New York, said the market had made a "very strong, very orderly move" through an important psychological barrier. "We could begin to see this market really pick up momentum," she added.

Iranian call for Opec output cut gives oil market brief fillip

By Deborah Hargreaves

OIL PRICES edged upwards yesterday in light trading in the run-up to Christmas, only to slip back again later in the day to close unchanged on the day. North Sea Brent crude for February delivery was at $18.55 a barrel.

Prices got a brief fillip early in the day from reports in the Middle East Economic Survey, which quoted Mr Gholamreza Aqazadeh, Iran's oil minister, calling for a 2 per cent cut in output by the Organisation of Petroleum Exporting Countries.

A 2 per cent cut in production would take Opec's ceiling to 24.09m barrels a day from its present level of 24.58m b/d. But many market traders are sceptical that members have even implemented the slight cutbacks required under their latest agreement.

Traders at one international oil company said there was little physical evidence of Opec cutbacks.

"Iran is talking up the oil price," said Mr Fareed Mohammedi at the Petroleum Finance Company in Washington, "I can't see them getting anyone to agree to a meeting before February".

Oil prices have found some support in the past week after being extremely weak since October, but traders believe that, if Opec members fail to cut their production in the New Year, prices will continue to slide.

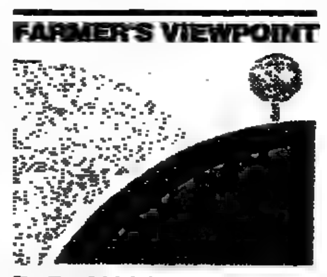
● Russia and Kazakhstan are looking at plans to join together energy producing states from the former Soviet Union in a "mini Opec", the Reuter news agency reported yesterday. The agreement was reached at the weekend in talks between Mr Viktor Chernomydrin, Russian prime minister and Mr Nursultan Nazarbayev, Kazakhstan's president.

Russia and Kazakhstan were reported last month to be interested in joining Opec.

Mr Boardman hopes for a season to be jolly

Britain's only professional grower finds the holly business profitable but risky

FARMER'S VIEWPOINT



By David Richardson

LONG BEFORE the word diversification had any obvious relevance to farming, a young friend of mine decided he would earn a bit of extra Christmas income from selling sprigs of holly from the trees in the hedgerows on his farm. He had cashed in on them modestly before when he had allowed gypsies to trim his trees for a few pound notes. But this time, he decided he would retail his crop in the local town and maximise his returns.

Previous experience had taught him that the berries on his holly trees were particularly attractive to hungry birds. So, to deny them the opportunity of ruining his enterprise by eating his profits, he went out with his pruning shears while the trees were full of red berries in early November.

It happened to be a very good year and he was thrilled at the quantity of full-berried holly he was able to cut. But there is no market for the stuff until a couple of weeks before Christmas, so to protect it against predatory birds he carefully carted it all down into the cellar of his old farmhouse.

For the following few chilly weeks he took enormous pleasure in watching hordes of songbirds fluttering around his neighbours' holly trees. Every berry they ate, he thought, would increase the value of his cellarful of perfection. Indeed he spent many winter evenings calculating the size of the windfall that would be his and working out how to spend it. Eventually, in the middle of December, he judged the time was right to bring up the holly and make a killing on the market. But when he went to collect it from its hiding place he discovered to his horror that while he may have stopped the birds from eating his berries he had forgotten about the mice in his cellar. They had clearly enjoyed an early Christmas dinner and scoffed the lot.

Last week I visited a professional holly grower. Indeed he claims to be the only one in Britain. His holly trees were an imaginative gift, in 1938, from his late father. He has over 1,000 of them on 3 acres of his 200-acre (80-hectare) fruit and arable farm and he can identify and name in excess of 100 different holly species that are growing there.

His name is Peter Boardman and his farm overlooks the valley of the Ant at How Hill, one of the most beautiful spots in the Norfolk Broads.

Throughout his life he has studied holly in Britain and abroad. He has propagated dozens of different varieties, both the plain green-leaved and variegated, and many imported from other countries, in an experimental corner of his farm near the house. He talks knowledgeably about them; about the need for a few male, non-berry bearing trees in a plantation to pollinate the females, which are the ones with berries, and the fact that it takes 15 years for a holly tree to produce a viable amount of holly to cut and market. Even then there is no guarantee that the trees will produce a full-berried crop each year.

He too has to cut his vulnerable holly early to avoid problems with hungry birds. But careful observation over many years has shown that only a few varieties are attractive to them before Christmas, so these are always cut first. And Mr Boardman's professional way to cut holly and keep it fresh and bright until the market is ready for it is in a sealed, mouse-free cold store.

Once Christmas spirit begins to flow, the red-berried sprigs are brought out, packed in cardboard boxes (of the type usually used for chrysanthemums) and sent off to wholesale markets around the country. Many go to the New Covent Garden market at Nine Elms in London and to the new Spitalfields market. Each box holds about 9 lb of holly in a good year. That is to say when there are plenty of berries, for they are far heavier than the wood and the leaves. Mr Boardman expects to receive something over £1 a lb from the wholesaler and hopes to harvest a crop of about 1 tonne an acre.

But where does the compulsion to bring expensive, prickly vegetation into our houses at Christmas time originate? Apparently it comes from a mixture of pagan and Christian traditions and dates back, at least, to the druids.

They believed its evergreen characteristic meant that the sun never deserted the holly tree and that it was a sacred plant. It was therefore their custom to decorate their houses with holly so that woodland spirits might take refuge in it from the rigours of winter.

On the other hand, some say that holly is a corruption of a Holy in Christian terms. Moreover the German word for holly is Christdorn and it is symbolic of the crown of thorns worn by Jesus at Calvary. The berries, the legend goes, take their red colour from Christ's blood.

Some of the superstitions associated with holly, however, are rather more secular. For instance, in some parts of England and Germany it is believed that if rough, prickly holly is brought into a family house the husband will dominate the home for the year ahead. If the holly has smooth leaves and few prickles, however, the wife will rule.

Inevitably holly is claimed to have medicinal properties. "A dozen ripe but undried berries eaten in the morning", an ancient herbal states, "will expel wind and is good for colic". And American Indians were said to make a kind of purgative tea with the berries.

Even more horrific to contemplate was the recommendation that to be soundly thrashed with holly branches was the finest possible cure for chilblains. At least, I suspect, it would stop a sufferer complaining about them ever again.

These days medicinal markets do not feature in Peter Boardman's budgets. He restricts his holly sales to the Christmas period for harmless commemorative wreaths and decoration. But is it profitable?

On the face of it a potential gross return of well over £2,000 an acre seems attractive. But as Mr Boardman points out, it is high risk. For some years there are no berries and therefore no sales. It is very labour-intensive and the prickles make cutting rather uncomfortable work. The market is entirely seasonal and a very short season at that and there is a 15 year wait, following planting, before there is any return at all.

His greatest competition comes from what I will politely call itinerant entrepreneurs, who strip and often damage trees, sometimes with permission and sometimes without, in order to make a fast buck. But the fact that he alone in the UK has a professional holly garden, and that a small one, is eloquent testimony to the fact that there is not enough money in it to make it a reliable farming diversification.

Guarded welcome for fish deal

By James Buxton, Scottish Correspondent

FISHERMEN ARE giving a guarded welcome to the deal on fish quotas and fishing regulation for next year which the European Community fisheries council agreed on Sunday.

For British fishermen in the North Sea the agreement means a near doubling of the quota of haddock, while European Commission plans to impose a 190-day tie-up on Britain were rejected.

Mr Bob Allen, chief executive of the Scottish Fishermen's Federation, said: "We congratulate the ministers on getting the EC tie-up scheme out of the picture but we do not accept the [British] government's approach".

The 82 per cent increase in the British North Sea haddock quota from 42,640 tonnes to 77,620 tonnes was welcomed because of the value of this catch to fishermen. Haddock stocks have recovered substantially after two bad years.

Herring catches in the North Sea will remain about the same, as will cod allowances.

Mr John Gummer, the agriculture minister, hailed the outcome of the fisheries council as "a great victory for the countries of Europe over rigid centralised bureaucracy". This was because the ministers, over whom he presided, had rejected the commission proposal to operate a blanket 190-day ban on fishing by British boats.

Instead Britain will attempt to regulate its fishing effort through the newly-passed Sea Fish (Conservation) Act, which gives the government power to restrict the number of days a boat spends at sea by relating its activity to its performance in 1991.

Fishermen will be given fishing days to match their days at sea in 1991 and new allowances will take into account days at sea spent servicing oil rigs or carrying out non-fishing work. They will not be subject to having to spend consecutive days in port.

The government believes this will ensure access to fishing is allocated fairly and that the supply of fish to the market will be more even, avoiding the gluts which led to sharp price falls this year.

But the fishermen say they will continue their fight against the provisions of the act. "We will continue to wage war on the idea of limiting days at sea," Mr Allen said.

The fishermen still say they would prefer a much larger decommissioning scheme than the one planned by the government, which involves spending £25m over three years.

Commenting on fishermen's reactions, Mr Gummer said in Brussels: "This agreement means that the industry can continue to be structured so that fishermen's incomes continue to keep ahead of inflation.

"We have to regulate the industry for conservation reasons. I am very aware that a previously unregulated industry is now being restructured and we are restraining the activities of natural hunters."

Russia to revamp diamond sector

By Leyla Boulton in Moscow

THE RUSSIAN parliament yesterday approved a blueprint for reorganising the country's diamond industry that could cause further damage to the country's already troubled relationship with the De Beers cartel.

Among other things, the blueprint foresees the creation of a Federal Diamond Centre which would give parliament ultimate control over the diamond industry, including the country's international dealings.

Mr Leonid Gurevich, the deputy who steered the project through parliament, has frequently complained about Russia's arrangements with De Beers, which allows it to sell only 5 per cent of its rough diamonds independently of De Beers. He has also said that the independent sales, stipulated by an agreement that expires in 1995, are limited by the fact that they are held in Moscow.

French seek US allies against Gatt

By Nancy Dunne in Washington

WHILE THE US and European Community governments find themselves often locked in conflict over agriculture, a group of European farmers visiting in Washington last week described a relationship with many American farmers that was warm, supportive and united against farm trade reforms proposed in the General Agreement on Tariffs and Trade.

"We are on a journey to improve communication and understanding," said Mr Michel Pierre of the France Confederation Paysanne. With farmers worldwide caught in a downward spiral of lower prices and growing bankruptcies, "it is necessary to do something".

What they were doing mostly in the US was talking – on radio and television, to newspapers, congressmen and other farmers – about the need to reduce production worldwide, about the need to preserve rural life in Europe.

Mr Alain Roux of the Federation des Producteurs de Lait gestured with a pat of butter to explain the justice of "dumping" surplus products.

"We think the European consumer, when he pays for a piece of butter, he has to pay this level for the nutrient butter and the rest for maintaining rural society," he said. "But if this butter is sold to Africa, this part – maintaining rural life – it has not to be paid by Africa."

It was little noticed that when French farmers launched protests against the US-EC oilseeds deal, American farmers marched in their ranks. Members of the American National Family Farm Coalition last month also met in France with the newly formed SOS Paysans en Difficulties to help them organise suicide hotlines, credit counseling services and debt restructuring plans.

The French farmers returned the visit last week, accompanied by one Dutch dairyman. After attending the annual meeting of the National Farm Coalition in Indianapolis, half the group was taken to visit farms in Vermont, and the other half to Kentucky. In both places they created a stir in media appearances.

Their language was different, but from Des Moines to Dijon there seemed to be one unifying theme among hosts and guests alike: the free market was scorned as "an illusion" and supply management schemes – involving production cuts to raise prices to a profitable level – were pronounced the solution to the industry's difficulties.

Mr Arian Kamp, a 29-year-old dairyman who heads the Dutch Young Farmers' Union, said it was the educated young European farmers "with good ideas about how to create better products" who were most at risk because they had had to buy farms at a time of declining food prices.

"Every continent – every group of countries – must be able to build up a kind of agriculture policy which makes possible that farmers within that area are able to get the cost of production so they are able to able to exist in rural life," he said. "We young farmers prefer supply management. We want decisions made in Gatt about the volume of production."

The international networking among farmers is likely to grow. Mr Mark Ritchie, who accompanied the French farmers, is organising a US chapter of the Farmers World Network, which promotes exchanges between farmers around the world.

"Our problems are increasingly global so the solutions must be global too," said Mr Ritchie. "We will have to consider the interests of the whole planet, if we want to solve problems at home."

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD dived around $4 a troy ounce in thin afternoon trade on the London bullion market after selling by a US trade house pushed the price quickly down, hitting sell stops below $335 on Comex. Dealers said the price free-fall meant players in New York had probably stood aside for a few minutes to gauge what was happening. "No-one wanted to bid...So it moved $2 in about 30 seconds for absolutely no reason," one said. LME metals moved generally higher as an early surge by **COPPER** set off short covering across the board. But the pre-holiday markets were rather thin and price movements were exaggerated, dealers said. Chinese buying and dealer short covering gave an early boost to copper and there was also buying in expectation of Comex making an early burst above resistance. But when New York failed to follow through from its higher opening, the market turned quiet. Last three-month copper business was at $2,257 a tonne, up $27 from Friday. **ZINC** and **ALUMINIUM** also closed ahead.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$16.45-6.50u	
Brent Blend (dated)	$18.15-8.20u	-0.05
Brent Blend (Feb)	$18.50-8.55	
W.T.I (1 pm est)	$19.80-9.85	

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$191-193	+2
Gas Oil ♦	$182-183	+2
Heavy Fuel Oil	$72-74	+1
Naphtha	$181-182	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$333.95	-3.2
Silver (per troy oz)♣	376.50c	
Platinum (per troy oz)	$357.25	-6.25
Palladium (per troy oz)	$106.40	-4.75
Copper (US Producer)	104c	+0.5
Lead (US Producer)	34.625c	
Tin (Kuala Lumpur market)	14.28r	+0.02
Tin (New York)	263.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	115.55p	-0.13*
Sheep (live weight)†♠	83.32p	+3.53*
Pigs (live weight)†	88.04p	+0.47*
London daily sugar (raw)	$212.2w	+0.2
London daily sugar (white)	248.0w	
Tate and Lyle export price	£244.0	+0.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£155.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jan)♥	62.50p	-0.25
Rubber (Feb)♥	62.75p	-0.25
Rubber (KL RSS No 1 Jan)	227m	-0.5
Coconut oil (Philippines)§	$450y	+2.5
Palm Oil (Malaysian)§	$392.5u	+5
Copra (Philippines)§	$280.0	
Soyabeans (US)	£169.0	
Cotton "A" index	54.30c	+0.1
Wooltops (64s Super)	397p	-2

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb. r-ringgit/kg. y-Jan/Feb u-Feb.x-Aug.w-Dec/Jan. z-Jan/Mar †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg.♠Sheep prices are now live weight prices. ♦ Gas Oil Price for 3/12/1992 174-175 down 2

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	184.00	186.00	184.00	
May	186.00	187.00	186.00	
Oct	188.00	188.60	188.00	
White	**Close**	**Previous**	**High/Low**	
Mar	245.00	248.00	248.00	245.00
May	247.50	250.50	250.50	247.50
Aug	253.50	256.50	255.60	253.50
Oct	241.00	243.60	243.00	241.00
Dec	246.20	246.60	246.50	246.20
Mar	248.00	248.30	248.00	
May	250.00	251.50	250.00	

Turnover Raw 17 (15) lots of 50 tonnes. White 722 (42) Paris- White (FFr per tonne) Mar 1334.37 May 1366.38

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low	
Feb	18.51	18.56	18.71	18.48
Mar	18.67	18.61	18.74	18.48
Apr	18.69	18.63	18.72	18.57
May	18.73	18.65	18.73	18.65
Jun	18.65	18.70	18.70	18.65
Jul	18.68	18.70	18.75	18.68
Aug	18.75	18.79	18.75	
IPE Index	18.56	18.35		

Turnover 6747 (22729)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low	
Jan	177.00	175.00	177.00	174.50
Feb	177.50	176.00	178.00	175.75
Mar	177.25	175.50	177.25	175.00
Apr	174.50	172.75	175.00	173.00
May	173.75	171.25	173.25	172.25
Jun	172.25	171.00	172.50	172.25

Turnover 9777 (12376) lots of 100 tonnes

TEA

There were 4,400 packages for the day reports the Tea Brokers Association. No landed auction. Offshore there was good general demand at firm rates. The highest price realised this week was 1630 cif for a Kenya pf 1

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	644	649	645	640
Mar	666	672	673	666
May	683	689	689	682
Jul	699	705	702	698
Sep	714	731	716	714
Dec	735	743	740	736
Mar	758	763	760	757
May	773	777	774	772
Jul	788	791	788	787
Sep	800	807	804	801

Turnover: 3475 (3553) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.21 725.86 (725.33) 10 day average for Dec 18 738.06 (743.73)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jan	1042	1030	1044	1037
Mar	1067	1055	1067	1055
May	1030	1026	1035	1028
Jul	1018	1012	1020	1015
Sep	1025	1018	1025	1024
Nov	1032	1030	1035	1031

Turnover 3876 (4512) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 18: Comp. daily 65.03 (64.45) 15 day average 63.11 (62.64)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	63.0	62.9	63.5	63.0
May	70.0	70.0	70.5	70.0

Turnover 41 (85) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	151.00	150.00	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jan	1309	1298	1308	1289
Feb	1278	1270	1278	
Apr	1272	1258	1272	1263
Jul	1160	1140	1160	1140
Oct	1330	1327	1330	
BFI	1375	1373		

Turnover 50 (18)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jan	134.25	134.75	134.35	134.25
Mar	136.00	136.30	136.00	
May	138.20	138.50	138.20	138.10
Nov	109.50	-	109.50	
Barley	**Close**	**Previous**	**High/Low**	
Sep	107.00	107.00	107.00	

Turnover: Wheat 71 (145), Barley 4 (51).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jan	102.0	100.5	102.0	101.0

Turnover 7 (5) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 35,855 lots
Cash	1226-30	1220.5-1.5		1224.5-5.5		
3 months	1251.5-2.0	1244.0-4.5	1259/1245	1248-8.5	1254-5	179,440 lots
Copper, Grade A (£ per tonne)						Total daily turnover 33,595 lots
Cash	1428-30	1407-8		1424.5-5.5		
3 months	1453-4	1434.5-5.0	1457/1447	1450.5-1.0	1457-8	142,857 lots
Lead (£ per tonne)						Total daily turnover 3,790 lots
Cash	291.75-2.25	289.5-1.50	298/288	297-7.5		
3 months	302.75-3.0	301-2	304/298.5	299.5-9.75	304-5	24,390 lots
Nickel ($ per tonne)						Total daily turnover 13,453 lots
Cash	5765-75	5760-5	5740/5740	5735-40		
3 months	5840-5	5830-5	5850/5820	5815-20	5840-5	41,301 lots
Tin ($ per tonne)						Total daily turnover 2,094 lots
Cash	5725-30	5670-5	5745/5740	5735-40		
3 months	5790-5	5740-2	5825/5770	5800-5	5790-800	9,292 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,220 lots
Cash	1064-6	1048-50	1058.5/1058.5	1058.5-9.0		
3 months	1085-6	1068-9	1090/1072	1078-9	1086-8	72,821 lots

LME Closing £/$ rate: SPOT: 1.5645 3 months: 1.5502 6 months: 1.5385 9 months: 1.5314

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	333.80-334.10	
Opening	336.60-337.00	
Morning fix	336.35	214.851
Afternoon fix	333.90	213.491
Day's high	336.60-336.90	
Day's low	332.60-332.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.85	6 months	2.15
2 months	1.85	12 months	2.53
3 months	1.85		

Silver fix	p/troy oz	US cts equiv
Spot	241.35	376.50
3 months	243.60	378.10
6 months	247.45	381.25
12 months	254.80	389.05

GOLD COINS

	$ price	£ equivalent
Krugerrand	336.00-338.00	214.00-216.00
Maple leaf	343.75-345.95	-
New Sovereign	80.00-82.00	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Apr	Jan	Apr
1175	72	92	3	8
1200	51	73	6	13
1200	33	55	13	21
Copper (Grade A)	**Calls**		**Puts**	
2100	147	160	3	6
2150	102	110	5	14
2200	63	82	16	27
Coffee	**Mar**	**May**	**Mar**	**May**
950	125	108	8	28
1000	85	78	19	48
1050	54	54	11	74
Cocoa	**Mar**	**May**	**Mar**	**May**
650	39	55	21	22
675	28	41	33	33
700	18	31	50	46
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1800	63	82	7	20
1850	28		18	45
1900	11	33		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	334.0	336.9	335.5	333.0
Jan	334.2	337.3	0	0
Feb	334.6	337.7	337.2	332.3
Apr	335.7	338.8	338.4	332.5
Jun	337.2	340.3	338.8	335.0
Aug	338.7	341.9	0	0
Oct	340.4	343.5	340.5	340.4
Dec	342.2	345.4	343.0	340.5
Feb	344.3	347.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	359.8	360.1	360.0	358.0
Apr	357.3	357.7	358.0	355.0
Jul	358.3	356.7	358.5	355.0
Oct	353.3	355.7	356.0	354.0
Jan	355.3	356.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	373.0	376.4	373.5	372.5
Jan	373.2	376.7	0	0
Feb	374.9	378.4	0	0
Mar	375.8	379.3	377.5	374.5
May	378.5	382.0	379.0	378.0
Jul	381.2	384.7	382.5	380.0
Sep	384.0	387.5	0	0
Dec	388.4	391.9	389.5	388.5
Jan	389.8	393.1	390.5	390.5
Mar	393.5	397.0	395.0	395.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	100.80	99.40	101.00	100.10
Jan	101.25	99.75	101.10	100.60
Feb	101.65	100.05	101.00	100.90
Mar	102.05	100.45	102.10	101.10
Apr	102.35	100.80	0	0
May	102.65	101.10	102.70	101.70
Jun	[illegible]	101.40	102.20	102.10
Jul	[illegible]	101.70	103.20	[illegible]
Aug	103.35	101.95	102.90	[illegible]
Sep	103.55	102.20	103.20	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	19.80	19.90	19.98	19.78
Mar	19.98	19.98	20.03	19.86
Apr	20.05	20.03	20.09	19.98
May	20.10	20.06	20.09	19.98
Jun	20.07	20.07	20.09	20.01
Jul	20.07	20.07	20.10	20.02
Aug	20.11			
Sep	20.10			
Oct	20.05			
Nov	20.07			

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	57.00	5818	57.20	55.90
Feb	57.85	5704	58.10	56.80
Mar	57.65	5721	57.75	56.95
Apr	56.60	5663	56.95	56.50
May	55.70	5565	55.75	55.50
Jun	55.60	5528	55.25	55.05
Jul	55.40	5554	55.60	55.30
Aug	55.25	5604	56.00	55.95
Sep	57.24	5724	0	0
Oct	58.19	5819	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	[illegible]	936	937	925
May	[illegible]	964	964	955
Jul	982	988	989	980
Sep	1009	1015	1012	1012
Dec	1043	1049	1045	1040
Mar	1072	1078	1076	1072
May	1097	1103	1100	1100
Jul	1119	1125	1122	1115
Sep	1142	1148	1144	1142

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	79.75	79.75	0	0
Mar	81.90	79.70	82.00	80.20
May	85.45	83.35	85.85	83.75
Jul	86.90	84.80	87.00	85.20
Sep	88.35	86.00	89.40	86.75
Dec	90.25	87.40	90.25	88.50
Mar	91.75	89.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.12	8.30	8.30	8.12
May	8.20	8.42	8.40	8.22
Jul	8.41	8.52	8.52	8.40
Oct	8.44	8.57	8.57	8.46
Mar	8.58	8.70	8.70	8.62
May	8.68	8.83	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	58.24	57.75	58.29	57.70
May	59.40	58.90	59.45	58.85
Jul	60.50	59.98	60.50	59.80
Oct	59.41	59.38	59.50	59.38
Dec	58.80	58.80	59.00	58.70
Mar	59.70	59.60	59.70	59.65
May	60.20	60.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	94.10	92.85	95.50	93.45
Mar	97.90	96.20	99.00	96.60
May	99.75	97.80	100.80	98.75
Jul	100.25	98.30	100.80	100.00
Sep	99.45	97.55	0	0
Nov	100.00	96.80	100.25	100.25
Jan	100.05	99.95	0	0
Mar	101.05	99.95	0	0
May	101.05	99.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec.21	Dec.18	mnth ago	yr ago
1663.1	1668.3	1670.0	1590.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.17	mnth ago	yr ago
Spot	121.82	117.77	111.65
Fut	121.68	118.35	119.28

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	573/2	571/0	573/6	570/4
Mar	578/4	575/0	578/6	574/0
May	584/4	580/4	584/6	580/0
Jul	591/0	586/4	591/2	585/4
Aug	592/2	588/0	592/4	588/4
Sep	590/4	586/0	590/4	589/0
Nov	595/2	591/4	595/6	592/0
Jan	604/0	599/6	604/0	602/6

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.86	20.47	20.75	20.40
Jan	20.72	20.54	20.78	[illegible]
Mar	[illegible]	20.75	20.97	[illegible]
May	21.05	20.89	21.12	[illegible]
Jul	21.17	21.03	21.23	20.94
Aug	21.18	21.03	21.25	21.05
Sep	21.23	21.08	21.25	21.08
Oct	21.23	21.05	21.36	21.23
Dec	21.27	21.17	21.40	21.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	189.5	191.4	192.8	189.5
Jan	186.4	187.8	188.5	187.0
Mar	186.9	188.2	188.6	186.0
May	185.8	186.9	187.9	185.8
Jul	[illegible]	186.9	188.5	187.0
Aug	186.7	187.5	189.0	188.0
Sep	188.5	188.4	190.0	189.0
Oct	191.5	190.0	192.0	189.5
Dec	192.5	192.0	192.5	191.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	210/2	211/2	211/2	209/0
Mar	219/0	219/4	219/4	218/4
May	226/2	226/6	226/6	225/6
Jul	231/6	231/6	231/6	231/0
Sep	235/6	236/4	236/0	235/2
Dec	240/4	240/0	240/6	239/4
Mar	247/4	246/4	247/4	246/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	372/4	367/6	376/4	369/0
Mar	353/6	352/4	355/0	352/0
May	337/6	337/6	338/4	336/4
Jul	313/0	312/6	315/0	312/6
Sep	318/6	319/0	0	0
Dec	329/2	330/0	331/0	329/2

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.925	78.675	79.000	78.600
Feb	76.275	75.975	76.450	75.775
Apr	75.800	75.725	76.075	75.525
Jun	72.425	72.325	72.625	72.200
Aug	70.825	70.725	71.050	70.625
Oct	71.275	71.200	71.550	71.250
Dec	71.700	71.450	71.700	71.475

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	43.175	43.225	43.350	43.075
Feb	43.400	43.200	43.600	43.150
Apr	41.925	41.850	42.025	41.750
Jun	46.350	46.200	46.400	46.150
Jul	45.925	45.800	46.000	45.900
Aug	44.725	44.800	44.750	44.550
Oct	41.025	41.000	41.075	40.950
Dec	42.450	42.600	42.475	42.300

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.250	38.700	38.750	38.100
Mar	38.500	38.775	38.850	38.300
May	39.500	39.925	40.000	39.500
Jul	40.050	40.400	40.475	39.900
Aug	38.300	38.700	39.100	38.300

Footsie breaks through to new peak

By Terry Byland,
UK Stock Market Editor

ANOTHER session of heavy demand for shares across the range of the London stock market took the FT-SE Index through the 2,800 barrier to a new all-time peak yesterday. At the close, the Footsie was 18 points up at 2,807.7, after breaking through the previous closing high of 2,792 in early trading.

Once again, the market was featured by strong buying of the second-tier stocks. The FT-SE Mid 250 Index outpaced the Footsie by a factor of two, gaining 33.8, or 1.2 per cent, to 2,817.4.

Traders reported significant support from the institutions, and were borne out by continued strength in Seaq-reported business at 831.4m shares, compared with 940.4m on Friday, when retail, or customer, business was worth £1.60bn.

Optimism for a revival in the UK economy next year was encouraged by a report from the Birmingham Chamber of Industry and Commerce which indicated "slow but steady" recovery in business in this important UK manufacturing area.

The move into cyclical stocks, likely to benefit quickly from economic recovery, was reflected in a subdued performance from the blue chip defensive issues, which lagged behind the rest of the stock market yesterday. A heavy programme of delayed deals in leading stocks was reported after the official close.

● A shortage of stock led to a strong advance in stock index futures, although turnover remained thin.

Having opened at 2,818, selling from a leading independent house sent the March contract on the FT-SE Index into retreat and it fell to a low for the day of 2,809 at around 10.00am.

However, dealers moving to cover short positions led to a squeeze in March, and it moved ahead for the rest of the session with demand particularly strong in the last 90 minutes of trading. March ended at 2,848, up 33 from Friday's close and around 22 points above its estimated fair value premium of 19 to cash. Turnover, at around 6,000 lots, was poor.

Volume in the traded options was down from Friday's high figure but still healthy at 33,811 contracts. The FT-SE 100 option traded 16,945, while a big trade in Glaxo just before the close made it the most active stock option of the day.

Account Dealing Dates

*First Dealings:	Dec 14	Jan 4	Jan 18
Option Declarations:	Dec 30	Jan 14	Jan 28
Last Dealings:	Dec 31	Jan 15	Jan 29
Account Day:	Jan 11	Jan 25	Feb 8

*New time dealings may take place from 8.30am two business days earlier.

Fresh demand for Sun

A MIXTURE of takeover speculation, economic recovery hopes and reports that the UK government has agreed to pay out for acts of terrorism drove the composite insurance sector sharply higher.

The heaviest activity was in Sun Alliance, up 11 more at 355p on above-average turnover of 7.3m shares.

There were hints that the recent burst of buying in Sun Alliance represented one major fund management group buying large amounts of stock and that one of the UK's biggest insurance groups had unloaded a large block of shares.

Specialists, however, said that the level of business over the past two sessions indicated that a single buyer could have accumulated around 1 per cent of Sun Alliance shares.

Commercial Union advanced 11 to 619p, General Accident 17 to 587p and Guardian Royal 7 to 182p. Royal Insurance suffered from switching into the other composites and closed 3 easier at 288p.

The $145m worth of asset sales by Lasmo, reducing its gearing by around five points, delighted the market and helped the shares leap 9 to 151p on heavy turnover of 6.9m. Other active oil issues mirrored the latest improvement in global crude oil prices.

Among the UK engineering stocks, TI jumped 17 to 311p after the sector analyst at Credit Lyonnais recommended it as "the quality stock in the sector".

British Aerospace moved ahead 10 to 177p on suggestions that it was on the point of disclosing a joint venture with Taiwan Aerospace.

Suggestions in the market that Queens Moat Houses would maintain the final dividend pushed the shares up 4 to 42p in active turnover. Forte, also busy, climbed 9 to 180p.

The two classes of BT shares were among the worst performers in the Footsie constituents after an Italian newspaper ran a story that BT was involved in talks with Stet with a view to taking a stake of between 10 and 20 per cent in the Italian state-owned telecoms group.

There was no official comment from BT on the story but telecoms specialists were sceptical that any deal would materialise. "BT has been unofficially denying the story all day, and there seems to be no financial or strategic benefits to BT," was the view of one leading analyst.

BT shares settled 5½ off at 390p on thin volume of 6.8m, while the partly-paid lost 5 to 285½p on 2.3m.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
[illegible]															

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

NEW HIGHS AND LOWS FOR 1992

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Dec 21	Dec 18	Dec 17	Dec 16	Dec 15	Year ago	High	Low
Ordinary share	2159.7	2147.6	2092.5	2081.6	2067.3	1781.4	2159.7	1670.0
Ord. div. yield	4.33	4.38	4.44	4.46	4.49	5.15	5.34	4.24
Earning yld % full	5.93	5.97	6.09	6.10	6.17	7.74	-	-
P/E ratio net	21.54	21.41	20.99	20.92	20.74	16.21	21.54	15.79
P/E ratio nil	19.89	19.76	19.36	19.32	19.10	15.30	-	-
Gold Mines	65.5	66.5	65.4	64.0	[illegible]	141.9	180.6	63.0

*for 1992 Ordinary share Index since compilation. high 2159.7 21/12/92 - low 49.4 26/6/40
Gold Mines Index since compilation high. 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2153.0	2153.6	2148.2	2152.7	2152.7	2154.6	2156.1	2155.9	2157.0	2160.0	2145.6

Volume	Dec 21	Dec 18	Dec 17	Dec 16	Dec 15	Year ago
SEAQ Bargains	38,399	31,492	25,334	22,716	22,003	22,215
Equity Turnover(£m)†	-	1603.1	1488.7	1247.6	1148.1	926.35
Equity Bargains†	-	34,908	29,064	26,013	[illegible]	[illegible]
Shares traded (mil)†	-	770.7	692.6	625.3	469.7	738.6

† Excluding intra-market business and overseas turnover

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2807.7 +18.0	2817.4 +33.8	1343.69 +10.28

	Dec 21	Dec 18	Dec 17	Dec 16	Dec 15	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2807.7	2789.7	2740.3	2732.8	2717.9	2345.4	2807.7	2281.0	2807.7 21/12/92	986.9 23/7/84
FT-SE Mid 250	2817.4	2783.6	2728.8	2698.8	2680.4	2281.6	2825.8	2157.8	2825.8 20/5/92	1379.4 21/1/86
FT-SE-A 350	1369.0	1358.7	1334.0	[illegible]	1320.5	[illegible]	1369.0	1103.1	1369.0 21/12/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2794.9	2797.3	[illegible]	2794.8	2794.9	2796.5	2797.2	2798.3	2807.0	2807.7	2788.2
FT-SE Mid 250	2791.9	2797.4	2795.6	2797.9	2800.4	2803.8	2806.6	2808.8	2815.1	2817.4	2791.9
FT-SE-A 350	1361.1	1363.0	1359.4	1362.1	1362.3	1363.3	1363.9	1364.5	1368.5	1369.0	1359.1

Gross dividend yield (ACT at 25%) FT-SE 100 4.33%

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Monday December 21 1992 Index No	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Dec 18 Index No.	Thu Dec 17 Index No.	Wed Dec 16 Index No.	Year ago (approx) Index No
1 CAPITAL GOODS (175)	859.22	+1.4	6.54	4.98	19.94	31.00	847.27	829.88	817.54	706.97
2 Building Materials (23)	873.50	+0.9	5.82	6.18	24.49	40.39	865.76	837.27	815.82	820.50
3 Contracting, Construction (26)	714.37	+0.8	3.88	6.94	69.56	37.49	708.64	672.57	656.13	822.60
4 Electricals (9)	2442.61	+0.8	6.88	6.19	19.01	109.61	2424.22	2331.27	2337.78	2266.56
5 Electronics (28)	2315.76	+0.2	6.63	3.72	19.13	52.39	2310.15	2283.21	2243.13	1652.81
6 Engineering-Aerospace (6)	301.32	+4.4	11.75	7.80	10.84	16.18	288.69	285.92	278.13	318.78
7 Engineering-General (43)	498.97	+2.3	8.09	4.73	15.76	17.35	487.73	472.82	471.36	443.27
8 Metals and Metal Forming (7)	325.89	+4.6	5.21	3.96	28.00	9.49	311.70	306.45	305.33	292.51
9 Motors (15)	364.83	+0.8	5.57	6.45	26.17	17.77	361.91	353.15	349.16	275.93
10 Other Industrials (18)	1963.42	+1.4	6.24	4.26	19.35	62.07	1935.55	1914.48	1888.76	1413.04
21 CONSUMER GROUP (191)	1754.13	+0.8	6.64	3.35	18.71	43.25	1739.65	1704.77	1702.04	1499.05
22 Brewers and Distillers (25)	2090.18	+0.9	7.95	3.62	15.22	54.23	2070.64	2034.68	1991.26	1879.93
25 Food Manufacturing (18)	1314.85	+0.6	7.98	3.97	15.65	40.47	1306.57	1282.35	1276.57	1187.44
26 Food Retailing (18)	3333.53	+1.6	7.73	3.05	16.84	70.26	3279.46	3166.95	3154.76	2273.64
27 Health and Household (26)	4266.94	+0.1	5.22	2.66	22.30	88.04	4262.33	4189.94	4289.53	4000.57
29 Hotels and Leisure (18)	1256.97	+2.0	6.65	5.48	19.76	46.03	1232.08	1208.06	1200.66	1168.26
30 Media (25)	1829.43	+0.9	5.44	2.84	22.91	39.40	1812.79	1785.79	1767.90	1315.36
31 Packaging Paper & Printing (17)	795.84	+1.5	6.56	4.09	18.90	24.33	784.07	770.58	758.71	689.22
34 Stores (33)	1145.89	+0.6	6.36	3.17	20.82	26.56	1138.73	1113.63	1106.35	930.75
35 Textiles (11)	740.55	+2.3	6.44	4.10	19.59	23.64	723.92	707.72	700.02	569.69
40 OTHER GROUPS (116)	1421.00	+0.4	8.71	4.91	14.14	50.02	1415.66	1391.67	1384.86	1135.83
41 Business Services (17)	1518.03	+2.2	5.84	3.35	20.97	36.28	1485.78	1444.80	1435.71	1272.97
42 Chemicals (22)	1401.43	+0.4	6.52	5.23	19.40	54.80	1395.24	1377.24	1384.74	1322.19
43 Conglomerates (10)	1364.18	+1.1	8.65	8.67	13.19	54.22	1348.77	1322.04	1311.85	1203.24
44 Transport (14)	2774.72	+1.6	8.08	4.30	14.86	88.31	2731.43	2686.28	2650.60	2208.13
45 Electricity (16)	1522.10	+0.2	14.24	4.99	9.03	56.57	1518.82	1485.84	1491.17	1173.35
46 Telephone Networks (4)	1645.16	-0.8	8.11	4.16	16.04	65.69	1658.14	1633.46	1612.88	1357.86
47 Water (11)	3252.38	-1.0	14.05	5.45	7.90	122.00	3284.65	3255.19	3244.63	2192.80
48 Miscellaneous (22)	2500.18	+1.1	5.68	4.06	21.76	61.03	2474.10	2431.13	2430.18	1642.57
49 INDUSTRIAL GROUP (482)	1425.03	+0.8	7.30	4.15	17.08	42.91	1413.96	1386.94	1379.99	1183.68
51 Oil & Gas (18)	2156.61	+0.3	6.19	6.01	21.23	103.27	2149.65	2114.56	2108.30	2105.65
59 500 SHARE INDEX (500)	1495.77	+0.7	7.19	4.34	17.42	47.72	1484.82	1456.86	1449.87	1264.75
61 FINANCIAL GROUP (62)	865.06	+0.9	-	5.07	-	33.33	857.37	845.11	842.76	682.86
62 Banks (9)	1163.91	+0.7	5.28	4.79	28.37	41.81	1155.70	1147.79	1154.73	808.67
65 Insurance (Life) (6)	1766.48	+0.4	-	5.15	-	68.18	1759.15	1726.11	1716.51	1368.96
66 Insurance (Composite) (7)	650.95	+2.4	-	4.63	-	22.58	635.63	618.04	609.85	462.25
67 Insurance (Brokers) (10)	785.39	+0.8	7.89	6.80	17.01	48.05	779.35	759.11	733.60	944.13
68 Merchant Banks (6)	476.82	+1.6	-	4.79	-	16.75	469.42	467.09	463.97	437.79
69 Property (30)	635.32	-0.4	8.55	6.64	15.33	33.09	637.82	620.69	607.33	787.79
70 Other Financial (14)	293.98	+1.9	6.81	5.70	19.32	11.63	288.39	281.28	278.90	225.10
71 Investment Trusts (69)	1307.63	+1.2	-	3.32	-	32.11	1292.18	1275.47	1267.74	1111.53
99 ALL-SHARE INDEX (651)	1343.69	+0.8	-	4.41	-	43.73	1333.41	1309.31	1303.34	1126.05

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1426.7	1428.9	1428.2	1429.0	1426.7	1424.9	1427.0	1425.6	1427.4	1427.4	1416.7	+10.7
Health & H	1289.6	1282.5	1278.5	1283.0	1282.8	1283.4	1282.5	1282.4	1289.6	1290.5	1289.3	+1.2
Water	1358.1	1358.2	1351.2	1348.7	1348.7	1345.4	1345.3	1345.6	1345.3	1345.3	1358.6	-13.3
Banks	1408.4	1412.5	1398.8	1404.0	1404.1	1406.8	1409.5	1411.5	1416.3	1413.4	1404.3	+9.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. CONSTITUENT CHANGES: ADDITIONS: National Express (44), Dewhirst Group (35); DELETIONS, TV-am (30), Ranks Hovis McDougall (25)

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	20¾xd	+⅞	21	14⅝	17,418	1.8
Allegheny & W	♥	433p	—	454p	228p	225.0	4.4
Amdahl		447p	+6	1159p	438p	502.0	1.4
Amer Cyanamid		37⅛	+1	38½	28⅝	3,341	2.8
Amer Express		15⅜xd	–⅛	15⅝	10⅞	7,488	4.1
Amer T & T		31⅝xd	+⅛	31⅝	20⅛	42,067	2.6
Ameritech		45⅞	+¾	45⅞	32½	20,085	5.1
BankAmerica		28⅞xd	+⅞	30⅞	19¾	10,315	2.7
Bankers NY		42⅛xd	+½	44	28⅝	3,401	4.2
Bell Atlantic		33¼	+⅜	33¼	23⅛	14,354	4.9
BellSouth		33⅝	+⅜	34⅛	25	16,588	5.1
Bethlehem Steel	♥	9⅞xd	+⅛	10⅛	5¾	867.6	
Bowater		1587pxd	+13	1637p	905p	578.7	4.7
CPC	h	30½xd	+1⅛	33	22⅝	4,619	2.5
Cadiz Land Inc	♥	116p	—	342p	108p	–	–
California Engy		1050p	—	1050p	591p	191.2	–
Chase Manhattan		17⅞xd	+⅛	18⅛	9⅝	2,585	4.4
Chrysler		20⅝xd	+⅜	21¼	6¾	6,039	1.6
Citicorp		12⅞xd	+⅛	12⅞	5⅜	4,523	–
Colgate-Palm		38⅝xd	—	43⅛	25¼	5,838	2.1
Cont'l Bank		1282p	+4	1321p	499p	1,275	3.0
Dana		30⅛xd	–¼	38⅝	14⅞	1,361	3.3
Data General		767p	+19	1004p	384p	211.6	–
Decora Inds	♥	145p	—	146p	66p	–	–
Dun & Brad		37¼	+⅝	38⅛	27⅝	6,646	3.9
Eaton		50⅛	+⅞	50⅛	32½	1,730	2.8
Echlin		14¾xd	+⅛	14¾	7⅛	845.4	3.0
FPL		23⅞xd	+⅛	23¼	17⅞	4,212	6.7
Fluor		28⅛xd	+⅛	30⅜	19¼	2,139	1.1
Ford Motor		25¼xd	+⅞	27¼	15	12,583	2.4
Gen Elect		55⅞xd	+1⅜	55⅞	36⅛	47,292	2.9
General Host	♥	585p	—	611p	360p	–	3.9
Gillette		37⅞xd	+⅞	40	23⅞	8,295	1.2
Hasbro		20⅞	—	23½	12⅛	1,812	0.6
Honeywell	h	44xd	+⅛	44⅝	32	3,046	1.3
Houston Inds		28¼	+⅛	29½	22	3,788	6.5
IBM		31½	–1¼	54½	31½	17,977	9.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

TELEPHONE NETWORKS

TEXTILES

PROPERTY

TRANSPORT

	Notes	Price	+ or –	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Sea Containers $		1020	+67	1346	771	109.5	4.3	–
Seacon	♣†	117	—	117	96	11.4	4.6	8.2
Seafield ℞		7	—	21	6½	4.03	–	0.5
TIP Europe	□	23½	—	*60	23½	39.7	7.6	5.7
TNT A$		36½	+3	67	24	288.3	–	–
Tibbett & Britten	†‡	611	—	*612	405½	285.8	2.4	24.4
Tiphook	♣†□	380	+16	478	214	494.1	8.4	7.2
Transport Dev.	□	270	—	307	205	385.3	4.7	10.2
Vard NKr		[illegible]	—	[illegible]	[illegible]	109.2	–	–
Wah Kwong HK$		100	—	112	77	129.5	3.2	6.2

WATER

	Notes	Price	+ or –	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Anglian	♣†□	497	–7	502	308½	1,436	5.4	8.7
Bristol Water	†	780	—	780	465	44.4	5.0	8.5
Cheam A	†	197	—	197	170	9.90	5.2	8.9
B NV	†	180	–4	185	135	4.32	5.7	8.1
East Surrey	†	253xd	+1	253	200	38.1	4.8	6.8
Mid Kent	†	245	—	285	163	41.7	6.2	7.8
North West	†□	478xd	–3	512	322	1,685	5.5	8.3
Northumbrian	†□	577xd	+8	577	335	385.8	4.7	6.0
Severn Trent	†□	458xd	–8	479	298	1,615	5.6	8.7
Southern	†□	465	+3	468	301	763.1	5.7	8.1
South Staffs	†	1198	—	1300	870	63.8	4.8	7.7
South West	♣†□	490xd	–10	526	306	686.6	5.9	7.4
Thames	†□	492	–6	518	324	1,904	5.2	9.3
Welsh	†□	523xd	–7	546	337	764.7	5.6	8.0
Wessex	†□	588	–2	603	366	605.6	4.6	8.0
Yorkshire	†□	530xd	–10	547	336	1,946	4.9	8.6

SOUTH AFRICANS

	Notes	Price	+ or –	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£7½	–⅛	£14⅞	67½	426.2	10.6	4.7
Barlow Rand		85¼	—	£10⅞	65½	1,123	8.6	φ
Gold Flds Prop	h	40	—	*118	40	5.01	22.4	6.5
New Klein Prop	h	60	+6	60	52½	3.22	18.1	3.0
OK Bazaars	‡	81	—	183	74	81.3	[illegible]	–
SASOL	♥	197	–5	345	190	1,114	8.7	φ
SA Brews		765	+2	1020	665	4,008	3.8	11.4
Tiger Oats		600	—	737	512	980.4	2.9	φ
Tongaat-Hulett		240	+2	400	187	192.8	6.8	6.6

PLANTATIONS

	Notes	Price	+ or –	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Rubbers, Palm Oil							
Anglo-East	Z	38	—	*39	33	10.8	[illegible]
Bertam		60	—	84	60	18.4	4.3
Cons Plants M$		46	—	51	30	324.5	7.9
Golden Hope M$		40	—	*47	29½	483.8	5.2
Highlands M$		27	—	31	20	81.6	10.8
Kuala Kepong M$		76	—	79	54	361.2	[illegible]
Teas							
Moran		1338	—	135	120	5.93	1.0

MINES - Cont.

	Notes	Price	+ or –	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Glencar Expl ℞	‡‡	8	—	18	8	1.48	–	
Greenwich Res	□	8¼	—	11	2	3.86	–	
Hemlo Gold C$		[illegible]	—	[illegible]	[illegible]	379.0	2.5	
Hermia West ℞	‡‡□	33	—	58	30	14.8	–	
Kalls Minis ℞	‡‡□	12	+1	42	11	0.53	–	
Kenmare	♣□	6¼	–1	7	2¼	5.04	–	
Malinga Res.		18	+½	48	8	1.89	–	
Maven Res ℞	‡‡	34	—	34	18	4.50	–	
Oryx Gold		40¼	—	103	40¼	–	–	
Plateau		30	—	13	3	1.37	–	
RTZ	□	671	+7	671	499	6,730	3.9	
Vizcaya	♣	1½	—	3	1	0.69	–	

MINES

	Notes	Price	+ or –	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Central Rand								
Durban Deep		128	+3	375	120	2.98	–	
East Rand Prp		72	–3	168	72	12.8	–	
Randfont'n Est	†	168	+3	334	136	182.7	11.5	
West Rand	‡	52	—	105	42	[illegible]	‡	
Eastern Rand								
AFMIN	♥Z	6½	—	5	0½	0.12	22.0	
Bracken		21	+1	25	11	2.84	–	
East Dagga	‡	83	—	154	69	6.54	‡	
Eastern Trans	‡	29	—	65	17	17.3	‡	
ERGO		62	—	121	39	23.7	22.4	
Grootvlei	‡	51	—	89	44	[illegible]	‡	
Kinross		359	–1	765	282	84.6	15.9	
Leslie		27	—	80	21¼	4.32	17.5	
Randex		6	—	10	1	0.64	–	
Winkelhaak		343	+3	630	255	41.8	6.5	
Far West Rand								
Blyvoor		35	—	110	35	8.40	20.1	
Buffels		278	+2	566	208	38.7	15.0	
Deelkraal		47	+1	125	46	48.8	14.3	
Doornfontein		12	—	46	8¾	4.88	–	
Driefontein		411	–8	780	388	838.4	9.0	
Elandsrand	†	144	—	470	120	139.7	[illegible]	
Hartebeest	‡	96	—	281½	95	187.5	‡	
Kloof		391	–4	624	293	471.4	5.6	
Southvaal	†	£5	—	£12⅞	£4¾	130.0	11.4	
Stilfontein		18	—	60	17½	2.35	–	
Vaal Reefs	†	£10⅝	–⅜	£40	£15	351.2	12.9	
Western Areas		30	—	99½	26¼	12.1	–	
Western Deep	‡	59⅞	—	£20¾	£5⅞	178.7	‡	
Zandpan	‡	19	—	45	19	94.7	‡	
O.F.S.								
Beatrix		98	—	323	98	83.3	16.5	
FS Cons		319	–6	535	272	308.7	17.0	
Free State Dev		10	—	33	7	2.22	–	
Harmony	‡	93	+1	368	88½	25.9	‡	
Joel (H.J.)		22	—	70	22	21.6	–	
Loraine		13	—	71	12	2.13	–	
St Helena	†	215	+2	410	183	20.7	20.4	
Unisel		61	—	183	43	17.1	5.5	

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

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Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	151.7	153.3xd	161.4	+1.70	0.00
AIB Grofund Ecnty	5	201.3	204.3	216.2	+2.80	1.98
AIB Grofund Euro	5	143.7	145.8	153.5	+1.90	[illegible]
AIB Grofund Spl Sit	3	99.30	101.1	104.2	+1.40	0.00
AIB Grofund Gilt	3	74.70	74.72	77.03		5.44
AIB Grofund Japan	5	126.3	127.7xd	134.4	+1.70	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	400.5	402.7	428.5	+3.0	2.71
General Acc	5	436.1	438.6	466.6	+4.1	2.71
UK Growth Acc	6	293.9	[illegible]	317.6	+2.7	3.07
UK Growth Inc	6	210.7	214.0	227.7	+2.0	3.07
Higher Inc Acc	6	504.5	512.9	545.7	+6.2	4.47
Higher Inc Inc	6	311.2	316.4	336.7	+3.9	4.47
Gilts/Fxd Int Acc	3½	166.6	166.6	175.9	-0.2	7.26
Gilts/Fxd Int Inc	3½	89.75	89.75	94.80	-0.11	7.26
Nth America	6	246.2	251.4	267.5	+3.2	0.00
Far East	6	229.1	229.1	243.8	+2.2	3.60
Europe	6	195.8	195.8	208.3	+1.7	1.75
Brit Excell	6	60.86	60.86xd	64.75	+0.52	3.11
Brit Fndmntls Acc	6	77.29	77.29	82.22	+0.52	3.11
Brit Fndmntls Inc	6	60.66	60.66	64.54	+0.41	3.11
Global Opps	6	61.35	61.5xd	65.50	[illegible]	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	126.2	126.2xd	133.7	-0.2	7.11
High Inc Equity	6	134.6	137.5	146.2	+2.2	5.01
Worldwide Bond	6	249.3	249.3xd	264.2	+1.1	4.75
American Growth	6	263.6	263.6	281.9	+3.2	.21
Asian Pacific	6	170.6	174.3	185.4	+1.1	1.63
Assets & Earnings	6	206.6	211.0xd	224.4	+3.1	2.80
Capital Reserve Acc	0	124.0	124.0	124.2		5.96
Cmdty & Energy	6	62.33	62.33	66.06	+0.95	1.32
1992 Enterprise	6	71.33	71.33	76.28	+0.89	2.71
Euro Capital Acc	6	97.54	97.54	104.1	+1.3	1.08
Euro Capital Inc	6	92.23	92.23	98.64	+1.23	1.01
General	6	185.2	185.2	198.0	+1.9	2.93
Japan	6	87.08	87.08	93.13	+0.87	–
Mastertrust	6	98.99	98.99	105.8	+0.9	1.78
UK Growth Acc	6	153.9	153.9	164.5	+2.0	3.12
UK Growth Dist	6	95.81	95.81	102.4	+1.2	3.16

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	87.17	88.21	94.34	+1.18	2.40
Do (Accum)	6	95.17	96.31	103.00	+1.29	2.40
Smaller Cos	6	64.60	64.60xd	69.10	+1.02	2.61
Do (Accum)	6	69.86	[illegible]	[illegible]	+1.10	2.61
Higher Yield	6	34.68	34.68	37.09	+0.38	5.57
Do (Accum)	6	46.88	46.88	50.14	+0.50	5.57
American Gth Inc	6	49.20	49.44	52.88	+0.71	0.16
Do (Accum)	6	50.14	50.38	53.88	+0.72	0.16
European Growth	6	86.59	86.59	92.61	+0.93	2.09
Do (Accum)	6	87.39	87.39	93.47	+0.94	2.09
Global Bond Inc	6	26.82	27.00xd	28.65	+0.28	5.11
Do (Accum)	6	32.95	33.18	35.20	+0.35	5.11
Managed P'folio Inc	6	30.18	30.25	32.35	+0.35	0.00
(Do Accum)	6	30.27	30.33	32.44	+0.33	0.00
Pacific Growth Accum	6	76.78	77.41	82.81	+0.83	1.40
Intl Spec Opps Accum	6	73.43	74.08	79.23	+0.80	1.83

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	80.44	80.44	85.67	+0.89	2.43
Mngd P'folio Acc	6	150.6	150.6	160.4	+1.70	–
UK General	6	133.5	133.5	142.2	+2.00	3.97
Cnv & General	6	16.85	16.85xd	17.95	+0.27	8.60
European Inc	6	20.30	20.30	21.64	+0.13	0.53
European Acc	6	20.97	20.97	22.34	+0.13	–
Financial	6	97.78	97.78	104.1	+1.40	4.27
Foundation	6	62.85	64.45	68.64	+0.79	1.09
German	6	36.32	36.32xd	38.95	+0.27	0.10
Growth Inc	5	26.81	26.87xd	28.62	+0.25	3.24
Growth Acc	5	31.21	31.29	33.32	+0.30	–
High Income	6	64.46	64.70	69.08	+0.96	6.73
Income	6	108.2	108.3	118.0	+1.80	4.49
Intl Income	6	83.34	83.34	88.76	+0.27	5.43
Intl Growth	6	29.90	29.90	31.84	+0.28	0.25
Monthly Income	6	59.66	61.51	65.51	+1.19	5.14
North American	6	96.31	96.31xd	102.6	+0.30	1.21
Orient	6	90.72	90.72	97.57	+0.93	–
Recovery	6	27.99	28.65xd	30.94	+0.28	3.82
Smaller Cos Acc	6	201.6	208.8	222.4	+4.00	–
Smaller Cos Inc	6	118.2	122.3	130.4	+0.80	2.76

Brycourt Unit Tst Mngmt Ltd (1400)F
Bolsworth Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	3	179.9	179.9	184.9	–	6.75

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Fellowship Tst	3¼	56.22	56.22	59.50	+0.31	1.32
(Accum Units)	3¼	62.64	62.64	66.45	+0.34	1.32
Income	3¼	191.8	194.3	206.6	+1.8	4.48
(Accum Units)	3¼	435.9	441.6	470.1	+4.1	4.48
Smaller Co's	3¼	95.34	95.34xd	101.1	+1.0	2.77
(Accum Units)	3¼	114.6	114.6	121.5	+1.2	2.77
Inv Portfolio	3	62.09	62.98	65.27	+0.71	2.55

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

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FT MANAGED FUNDS SERVICE

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هكزامن الآمل

OTHER UK UNIT TRUSTS

INSURANCES

Legal & General – Contd.	Bid Price	Offer Price	+ or –	Yield Gross
Exempt Intl Initial	212.9	224.2	+2.4	–
Do Accum	317.9	334.7	+3.5	–
Exempt Mngd. Init	660.4	695.2	+5.4	–
Do Accum	1099.0	1156.9	+8.9	–
Exempt N. Amer. Init.	220.8	232.5	+2.6	–
Do Accum	282.6	297.5	+3.2	–
Exempt Prop Init.	273.6	288.0	+0.2	–
Do Accum	455.3	479.3	+0.3	–
Sp Deposit Init	230.8	243.0	+0.2	–
Do Accum	340.8	358.8	+0.2	–
Index Fund Init.	117.2	123.4	+1.2	–
Do Accum	142.7	150.3	+1.5	–
Appreciating Growth Init.	149.8	157.7	+1.1	–
Do Accum	172.6	181.7	+1.3	–

Liberty Life Assurance Co Ltd
Station Rd, New Barnet 081-440 8210

	Bid Price	Offer Price	+ or –	Yield Gross
Sel Sec A	48.40	50.95		–
Managed	42.32	44.55	..	–
Equity	39.07	41.13	...	–
Blue Chip	60.93	64.14		–
Special Sits	34.02	35.82		–
International	51.87	54.61		–
European Fund	15.03	15.83		–
American	30.39	31.99		–
Pacific	47.78	50.30		–
Property	29.74	31.31		–
Fixed Yield	32.51	34.23		–
Indexed Linked Secs	16.89	17.78		–
Deposit	27.69	29.15		–

Life Association of Scotland
113 Dundas St, Edinburgh EH3 5EB 031-550 5000
LAS Investment Assurance

	Bid Price	Offer Price	+ or –	Yield Gross
Managed Fund	294.5	310.0	+3.3	–
UK Equity	500.4	526.8	+6.6	–
Property	270.5	284.8		–
Money Market	236.7	249.2	+0.1	–

Midland Life Ltd

NM Life Assurance Ltd

Continued on next page

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Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co. Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group – Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Equitable Life (International)

Eagle Star Intl Life

Fidelity Life

Hafnia Prolific International

Hansard International Ltd.

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Terminvest Plc

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hambro Fd Mgrs (CI) Ltd

Hargreave Hale

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Lazard Fund Mgrs (Channel Islands) Ltd

Knight Williams & Company Ltd

Macarthey & Dowie Invest Mngt Plc

Northern Bangs & Partners

Pendleton May Financial Services Ltd

Rasborough Financial Management Ltd

Charles Stanley & Co Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

Guinness Flight Fd Mngrs (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Rothschild Asset Mngmt (CI) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Bank of Ireland Asset Management

Baring Mutual Fund Mngrs (Ireland) Ltd

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Hafnia Prolific International

Morgan Grenfell Investment Funds Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

AXA Equity & Law Intl Fund Mngrs

ATC Fund Management (IoM) Ltd

[illegible]

Tremblett

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JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

JERSEY (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Franc fails to recover ground

NEITHER the US dollar nor the French franc made much headway against the D-Mark yesterday, as trading on the foreign exchanges ground to a halt in the run-up to Christmas, *writes James Blitz*.

After last week's dismal performance against the German currency, the French franc briefly rose above the level of FFr3.41 to the D-Mark yesterday morning, as short franc positions were unwound.

However, there was a spate of selling of the French currency at around lunchtime, and the franc again fell back to a close of FFr3.417, a touch weaker on the day. The market continues to believe that the franc will come under more concerted pressure in the New Year, when traders will be starting with fresh balance sheets.

The dollar gained ground against the D-Mark yesterday afternoon in Europe, rising to a peak of DM1.5705 against the German currency. The US currency was mostly moved by technical factors and there were no US economic indicators. The dollar closed at DM1.5680, more than a quarter of a pfennig stronger on the day. Traders thought that today's final figures on Third Quarter GDP would have scant impact on the market.

Longer-term prospects for the US currency remain unclear because of lingering uncertainty about the scale of the economic upturn in the US.

Mr Jeremy Hawkins, senior economic adviser at Bank of America, also believes that dollar trading remains range-bound because of the potential impact European factors will have on the currency.

In the New Year, for example, the dollar could gain safe haven status if political problems in Russia intensify, or if there are systemic problems in the European exchange rate mechanism. But a speculative attack on the French franc could push the D-Mark's value upwards across European currencies, and, hence, against the dollar, too.

The inflation figures issued in recent days by the leading German länder do not bode well for the cut in German official interest rates which could take the steam out of the ERM tensions. The cost of living in the German state of Bavaria climbed 0.2 per cent in the month to mid-December for a year-on-year rise of 4.0 per cent. In the year to mid-November, prices were up 4.0 per cent for all western Germany.

One other area of interest yesterday was the D-Mark/lira cross. The Italian currency continued to suffer from political uncertainties and rising expectations of a rate cut by the Bank of Italy.

The lira slid through the L900 support level in early trading, bottoming out at L903 per D-Mark from a previous close of L898. It later rose again, to close almost unchanged at L898.1.

Sterling closed slightly weaker against the D-Mark at DM2.4525 from a previous close of DM2.4500. Against the dollar, the pound closed more-or-less unchanged at $1.5645.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec. 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	176.463	-3.15	4.51	51
Spanish Peseta	143.386	139.242	-2.89	4.24	49
Belgian Franc	40.6304	40.2526	-0.93	2.16	39
Dutch Guilder	2.21958	2.20107	-0.83	2.06	35
D-Mark	1.96992	1.95728	-0.64	1.88	33
Danish Krone	7.51410	7.55483	0.54	0.68	-31
Irish Punt	0.735334	0.739357	0.55	0.68	-38
French Franc	6.60683	6.68785	1.23	0.00	-75

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec 21	Latest	Previous Close
£ Spot	1.5640-1.5650	1.5645-1.5675
1 month	0.56-0.55pm	0.54-0.52pm
3 months	1.46-1.44pm	1.44-1.41pm
12 months	4.00-3.92pm	3.95-3.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Floating rate. Iran Official rate £99.70 $66.20

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.61-2.54pm. 12 Month 4.02-3.92pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 10: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls January	Calls March	Calls June	Puts January	Puts March	Puts June
110	-	-	-	-	0.60	-
111	0.49	1.21	-	0.18	0.94	-
112	0.06	0.73	1.47	-	-	-
113	-	0.40	-	-	-	-
114	-	-	0.70	-	-	-
Open int.	19,711	184,253	28,330	11,251	154,938	18,370

Estimated volume 5,492 † Total Open Interest 476,453
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	7	NatWestminster	7
AIB Bank	7	Equatorial Bank plc	7	Northern Bank Ltd	7
●Henry Ansbacher	7	Exeter Bank Limited	8	Nykredit Mortgage Bnk	7.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	7
Bank of Baroda	7	●Robert Fleming & Co	7	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	7	Girobank	7	Royal Bk of Scotland	7
Bank of Cyprus	7	●Guinness Mahon	7	●Smith & Williamson Secs.	7
Bank of Ireland	7	Habib Bank AG Zurich	7	Standard Chartered	7
Bank of India	7	●Hambros Bank	7	TSB	7
Bank of Scotland	7	Hampshire Trust Plc	10.5	Unibank plc	7
Barclays Bank	7	Heritable & Gen Inv Bk	7	●United Bk of Kuwait	7
Brit Bk of Mid East	7	●Hill Samuel	7	Unity Trust Bank Plc	7
●Brown Shipley	7	C. Hoare & Co	7	Western Trust	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Whiteaway Laidlaw	7
Citibank NA	7	Julian Hodge Bank	7	Yorkshire Bank	7
City Merchants Bank	7	●Leopold Joseph & Sons	7		
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7	McDonnell Douglas Bk	7		
Credit Lyonnais	7	Midland Bank	7		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

European futures fall

FRENCH FRANC futures were a touch weaker yesterday as the French currency failed to make much headway above the lows that were reached against the D-Mark last week, *writes James Blitz*.

Trading was extremely quiet in European cash and futures markets at the start of the Christmas week. In the sterling market, short-dated futures were priced lower on rumours that there will be no further cuts in UK base rates for some time.

UK clearing bank base lending rate
7 per cent
from November 13, 1992

In the French franc futures market, the March contract fell 3 basis points to close at 90.49 after the currency failed to make much headway on the foreign exchanges after an initial rally. At this level, the market is saying that 3-month money in France will be at 9.51 per cent in the spring – substantially below the current figure of 12¼ per cent. The implication is that something will have to give in the battle of the French franc.

Trading in German futures was quieter. The March contract rose two basis points to close at 92.06, pricing in 3 month money in late spring at 7.94 per cent.

In the cash market, German call money edged higher on Monday in line with the decline in bank reserve levels. Traders quoted call money at 8.80-8.90 per cent, slightly higher than Friday's 8.80 per cent, and said that banks were experiencing a drain of liquidity from this month's tax payments.

Short-dated sterling futures fell sharply yesterday following Sunday newspaper reports that Mr John Major, the UK prime minister, had indicated that he was averse to any more cuts in UK base rates for the time being.

The March contract fell 10 basis points on light trading to close at 93.27, while the June contract fell more sharply, by 11 basis points, to close at 93.56.

The FT survey of city forecasters showing greater pessimism than the government in forecasting inflation over the next two years also helped to dampen sentiment.

The Bank of England forecast a shortage of £350m at the start of the day, and later revised that to a flat position. There was late assistance of £60m suggesting that there were shortages somewhere in the banking system after all. Three month money finished virtually unchanged at around 7⅛ per cent.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

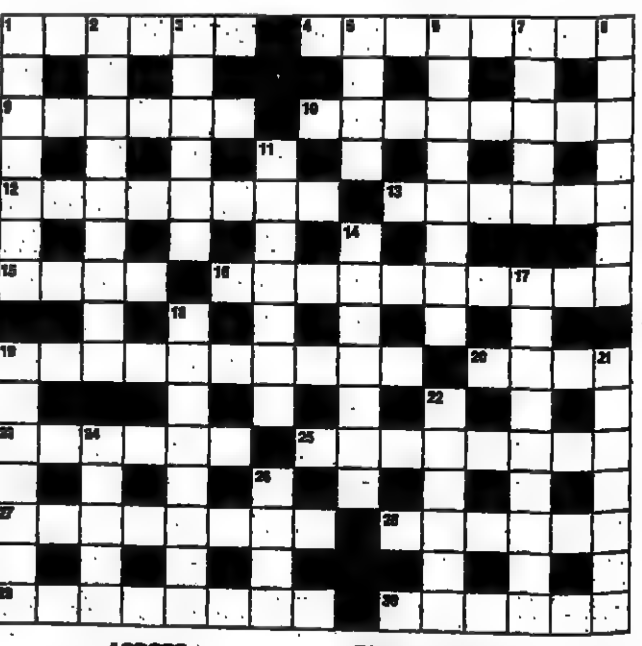
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,035 Set by VIXEN



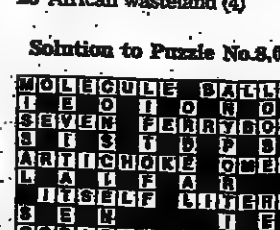
ACROSS

1 Bacon could be comparatively audacious (6)
4 Stately homes – and falling to bits (8)
9 Ram after several swerves (6)
10 The renegade offered a job scoffed (8)
12 Made up and performed (8)
13 In time 10 blunders (6)
15 Not keen, being stupid (4)
16 Copes with work stoppage (10)
19 Surprise raid police may make from time to time (10)
20 Copiers among the cheapest available (4)
23 Notes to croon – so soothing (6)
25 Through with pressure as a matter of course (8)
27 Point to nicer new structure (8)
28 Soldiers draw back pay (6)
29 Records test that's material (8)
30 Rioted, upsetting a top man (6)

DOWN

1 Greatly honoured, though always getting into debt (7)
2 A foreigner sheltering many a killer (9)
3 The team even set about the French (6)
5 A politician's current measures (4)
6 Stride out on a sea-going vessel and there'll be trouble! (8)
7 Ring a poor actor up in the USA (5)
8 Are you old-fashioned, reflective, all a viewer should be? (7)
11 Lively article written about singular concern (7)
14 Green as can be, so causes much annoyance (7)
17 Bring in a social worker – it's vital (9)
18 Means to swindle over money (8)
19 There now! (7)
21 The poet appears a prodigal individual (7)
22 Getting off before the terminus, tread on people's toes (6)
24 Much inclined to dance – will accept direction (5)
26 African wasteland (4)

Solution to Puzzle No.8,034



The FT Christmas crossword competition will appear in Thursday's paper. First prize is a £599 Pelikan Toledo fountain pen and other prizes are Pelikan Souverän pens.

WORLD STOCK MARKETS

CANADA

TORONTO

3 pm December 21

MONTREAL

3 pm December 21

INDICES

NEW YORK

DOW JONES	Dec 18	Dec 17	Dec 16	Dec 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3313 27	3269.23	3255.18	3284 36	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41 22 (2/7/32)
Home Bonds	102.92	102.94	103 06	103 05	103.21 (14/12)	98 41 (20/3)	103 21 (14/12/92)	54 99 (1/10/81)
Transport	1451.02	1430 47	1397 23	1402.07	1467.68 (20/2)	1204 40 (26/8)	1532 01 (5/9/89)	12 32 (8/7/32)
Utilities	222.90	219 89	219 78	219.20	225 59 (3/1)	200 74 (8/4)	236 23 (2/1/90)	10 50 (8/4/32)

DJ Indl Day's High 3325 97 (3289 22) Low 3261 94 (3229 79) (Theoretical♦)
Day's High 3313 54 (3271 93) Low 3269.23 (3251 40) (Actual♦)

STANDARD AND POOR'S	Dec 18	Dec 17	Dec 16	Dec 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	441.28	435 43	431 52	432.57	441.28 (18/12)	394 50 (8/4)	441 28 (18/12/92)	4.40 (1/6/32)
Industrials	515.75	509.12	504.35	505 75	515 75 (18/12)	470 91 (8/4)	515 75 (18/12/92)	3 62 (21/6/32)
Financial	40.43	39.78	39 45	39 69	40 43 (18/12)	32 40 (8/4)	40.43 (18/12/92)	8 64 (1/10/74)
NYSE Composite	242.08	239 12	237 26	238 02	242 08 (18/12)	217.92 (8/4)	242.08 (18/12/92)	4.46 (25/4/42)
Amex Mkt. Value	392.03	390.42	389.30	390.66	418.99 (12/2)	364 85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	661.29	658 46	649.63	650 75	667 12 (8/12)	547 84 (26/6)	667 12 (8/12/92)	54 87 (31/10/72)

	Dec 11	Dec 4	Nov 27	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.13	3 14	3.14

	Dec 16	Dec 9	Dec 2	year ago (approx.)
S & P Industrial div. yield	2.58	2.58	2 61	2.78
S & P Indl. P/E ratio	26 78	27 10	26 71	23.24

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Tucson Elec	23,984,600	2¼	+ ¼
IBM	7,640,900	51¼	- 1¾
Coca-Cola	5,342,300	43¾	+ 2¾
Am T & T	4,948,800	49⅝	+ ⅝
Merck	4,306,200	47	+ ½
Philip Morris	4,269,800	76½	- ⅜
Gen Motors	3,821,300	33¼	+ ¼
Exxon	3,552,300	62⅞	+ ⅜
Navistar	3,540,200	2¼	+ ¼
Gen Elec	3,198,700	86⅜	+ 1⅝

TRADING ACTIVITY

† Volume (Millions)	Dec 18	Dec 17	Dec 16
New York SE	371.030	248 590	241.910
Amex	17 717	15 082	15.457
NASDAQ	244.063	247 940	258.269
NYSE			
Issues Traded	2,419	2,421	2,411
Rises	1,298	1,130	745
Falls	571	659	1,042
Unchanged	550	632	624
New Highs	141	67	47
New Lows	21	33	29

CANADA

TORONTO	Dec 18	Dec 17	Dec 16	Dec 15	1992 HIGH	1992 LOW
Metals & Minerals	2748.63	2741 81	2746.4	2760.37	3238.87 (16/1)	2529.91 (17/11)
Composite	3320 41	3304.33	3296.15	3264.61	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1760.73	1759.50	1747.35	1726.73	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

**Saturday December 19: Taiwan Weighted Price: 3,657.99, Korea Comp ...
♦ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., ... Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and A... (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, December 21, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Isuzu Motor	6.0m	317	+27	Hitachi	2.4m	752	-2
Nippon Steel	4.8m	295	-4	Nippon Express	2.4m	749	-14
Toshiba Corp	3.6m	660	+6	Fuji Bank	2.2m	1,900	+60
Kao Corp	3.0m	1,180	+40	Hyogo Bank	2.1m	598	-24
Nomura Sec	2.7m	1,850	-10	Tokio M & F Ins	2.1m	1,220	+20

3 pm December 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	10⅞	AAR Corp	0.48	4.4	18	999	11¼	d10⅞	11	-¼
28½	18	[illegible]	0.18	0.8	146	442	23¾	23⅜	23½	+⅛
68¼	52⅝	AMP Inc	1.52	2.7	20	754	56⅝	56	56⅛	-¾
80¼	54¾	AMR				122301	63⅞	62⅞	63⅜	+⅛
2⅛	1⅛	ARX			11	24	1¼	1⅛	1⅛	-⅛
53½	30½	ASA	2.00	6.3	21	357	32⅛	31½	31⅞	-⅞
34¼	26½	Abbott Lab	0.60	1.8	23	5694	32⅞	32¼	32¼	+⅛
13⅞	10⅝	Abitibi Pr	0.50	4.4	6	4	11¼	11¼	11¼	-⅛
11⅝	10⅛	ACM Gvt In	0.60	5.5		175	10⅞	10¾	10⅞	+⅛
10⅝	9⅛	ACM GvOpp	1.21	12.9		34	9⅜	9⅜	9⅜	-⅛
9¼	8½	ACM Gvt Sp	0.85	9.4		200	9	8⅞	9	+⅛
11⅛	9⅞	ACM Gvt Inc	1.01	9.6		253	10⅝	10½	10½	+⅛
10⅝	8⅝	ACM Man	1.18	11.8		235	10	9⅞	10	
12⅞	8⅝	ACM Mgd	0.76	8.9		348	8⅞	d8⅝	8⅝	-⅛
11¼	4¼	Acme Cleve	0.40	4.8	15	17	8⅜	8¼	8¼	-¼
6½	3¼	Acme Elect			115	31	5¼	5½	5¼	+⅛
33¼	14⅛	Acuson			12	531	16⅞	16⅜	16⅞	+⅜
21	18½	Adams Expr	1.62	8.2	1	28	20	19¾	19¾	-¼
49⅛	29½	Ad Micro	3.00	6.4		611	47	46½	47	+¼
21½	7½	Ad Micro P	3.00	16.4		65313	18⅝	18	18⅛	
9⅛	4⅞	Advest Grp	0.16	2.8	11	42	5⅞	5⅞	5⅞	-⅛
42¾	33	Aegon ADR	1.35	3.2	7	147	42	41½	42	+⅛
48¼	38	Aetna Lf	2.76	5.9	13	1271	46⅞	46½	46¾	+⅛
12¾	8⅛	Ahmanson A	0.24	2.0	16	1500	12¼	11⅞	12	+⅛
34¼	24	Aflac	0.44	1.3	16	1223	u34⅝	33½	34⅝	+⅛
19⅞	13	Ahmanson	0.88	5.4		63938	16⅝	16¼	16⅜	+⅛
22½	4	Aileen Inc			14	123	8⅛	8¼	8⅛	-⅛
49½	36½	Air Pr Chm	0.86	1.8	19	1853	47⅝	47¼	47⅛	-⅛
29½	12½	Airbne Frt	0.30	1.6	104	134	18⅞	18⅝	18⅞	+⅛
21½	11¼	Airgas Inc			31	235	20⅛	20¼	20⅛	+¼
12⅞	8⅛	Airlease	1.60	14.2	8	76	11¼	11	11¼	+⅛
104	99	AlaPw8 16	8.16	8.0		2	101	101	101½	
105	100¼	Alab 8.28C	8.28	8.0		z100	104½	104½	103	-1
11¼	10½	AlaPwDpPf	0.87	8.2		69	10⅝	d10½	10⅝	+⅛

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

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High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
82¼	56½	Xerox	3.00	3.8	18	1516	78½	77⅝	78¼	+¼
55	50½	Xerox4.125				2	52	52	52	−1
41½	24⅞	Xtra 1.94	1.94	4.7		49	u42⅝	42⅝	41	
57⅞	39½	Xtra Corp	0.60	1.4	15	311	u59⅝	57½	59	+2
30⅝	25¼	Yankee Egy x	1.68	5.9	13	29	28¼	28	28¼	
1½	½	Zapata			43	254	⅞	1⅞	⅞	
11⅛	5	ZenithElec			2	295	6¼	6	6	−¼
19½	14½	Zenith Nat	1.00	5.4	9	81	18⅞	18⅝	18⅝	−⅛
7½	6	Zenix Inc x	0.82	12.4		149	6⅝	6½	6⅝	
13⅞	10	Zero Corp	0.40	2.9	20	30	13⅝	13½	13⅝	−¼
38	27¼	Zurn Ind x	0.88	2.3	42	389	37⅞	37½	37⅝	
14⅛	12	Zweig Fund	1.12	8.8		37	13⅛	13	13	−⅛
11	9½	Zweig Tall x	0.96	9.6		878	10¼	10	10	−⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm December 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	31	651	14⅞	14¼	14⅞	−⅛
Perini	0.80	16	123	16¼	16⅛	16⅛	+⅛
Pet HSP x	1.14	11	14	16	16	16	
Phil LD x	0.25	13	1619	32⅞	32¼	32⅝	−½
[illegible]							

NASDAQ NATIONAL MARKET

3 pm December 21

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	1366	24	23¼	23¾	+¼
Xoma Corp		4	2008	10⅝	10¼	10¼	−⅛
Yellow Fr	0.94	22	160	28⅝	28	28¼	+⅛
York Rsch		7	810	7	6⅞	6⅞	−⅛
ZionsUtah	1.44	12	266	74½	72¾	74¼	+1

AMERICA

Dow weakens slightly after Friday's gains

Wall Street

US share prices weakened slightly across the board as investors gave back some of the big gains earned in last Friday's "triple-witching" rally, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 8.10 at 3,305.17, near its lows for the morning session. The more broadly based Standard & Poor's 500 was also lower at the halfway stage, down 1.28 at 440.00, while the Amex composite gave up 1.41 at 390.62 and the Nasdaq composite eased 0.07 to 661.22. Turnover on the NYSE was busy at 132m shares by 1 pm, and declines outnumbered rises by 982 to 699.

The market's 44-point advance on Friday was primarily the result of buying related to the "triple-witching" expiration of stock and stock-index futures and options, so analysts expected prices to open weaker yesterday.

The underlying mood of the market, however, remained optimistic, which helped to limit the early losses. Observers believe investors are increasingly confident about the economy and the long-term prospects for corporate earnings. This upbeat mood has fuelled the recent rally, and although some institutions had already closed their books for the year, some analysts were not ruling out further gains in the final days of the year.

IBM dropped another $1⅞ to $49½ in turnover of 8m shares following the announcement that two retired executives were being re-hired to help Mr John Akers, IBM's chairman, run the computer group.

Time Warner firmed $⅜ to $29¼ on the news that Mr Steven Ross, the group's chairman, had died of cancer over the weekend, and that eight senior directors would be leaving at the end of this year in an apparent culmination of a long boardroom struggle at the entertainment giant.

USAir dropped $1 to $12 as hopes faded that government authorities would approve the proposed alliance between the carrier and British Airways. A last-ditch attempt last weekend by Mr John Major, the UK prime minister, to persuade President George Bush to give the green light appeared to have failed.

National Health Laboratories dropped $6⅛ to $16½ in turnover of 3.1m shares after the company pleaded guilty to charges of healthcare fraud and agreed to pay $110.4m to settle claims involving clinical testing procedures and the Medicare programme.

On the American Stock Exchange, Ivax Corp plunged $4¼ to $30⅜ in turnover of 1.3m shares after PaineWebber, the Wall Street broking house, had downgraded the stock from "buy" to "attractive".

On the Nasdaq market, Ross Cosmetics climbed $1¼ to $11¾ after the company reported fiscal first quarter income of 22 cents a share, up from 17 cents a year earlier.

Canada

TORONTO stocks remained under pressure at midday on profit-taking and weakness in gold shares,led by Placer Dome, down C$¼ to C$15, after bullion futures dropped more than US$3.

The TSE-300 Index fell 14.6 to 3,305 in volume of 18m shares valued at C$151m. Declining issues led those advancing by 249 to 208 with 251 unchanged.

SOUTH AFRICA

JOHANNESBURG was firmer in dull trading with the overall index 14 higher at 3,227. The industrial index gained 11 to 4,291 while the gold index advanced 1 to 836. De Beers rose R1 to R58.75 and Anglos added 50 cents to R86.25.

Corporate gloom fails to dent optimistic mood

By John Pitt

A SPATE of bad corporate news, both in Europe and the US, failed to leave a negative impression on the FT-Actuaries World Index last week, and there were some strong performances, from Ireland and Singapore in particular. The World index gained 1.6 per cent in local currency terms.

Even IBM's announcement of job cuts and a decision to take a $6bn fourth-quarter charge to cover a restructuring programme, leaving the stock at an 11-year low by the weekend, failed to dent sentiment in the US. Instead, the talk at the round of pre-Christmas parties concentrated on the US economic recovery, and even President-elect Bill Clinton's "phone-in" on the state of the nation could not stifle the mood of optimism.

Ireland came to the fore last week with a 5.8 per cent rise on sustained expectations of a currency devaluation. Over the last quarter, the market has risen some 7 per cent in local currency terms, compared with 0.8 per cent in Germany and 1 per cent in France, but is 12 per cent down since the start of the year.

Elsewhere in Europe, Sweden was a feature, helped by lower domestic interest rates and a stronger dollar. Other Nordic markets lost ground, mainly on year-end profit-taking.

Austria showed up as one of the week's worst performers following Creditanstalt's warning that it planned a 6 per cent cut in its 1992 dividend, and a heavy fall in the share price of OMV, mainly on selling by foreign institutions.

Oil issues in general had a dismal week, with Petrofina contributing largely to Belgium's negative showing after news last Monday that the company would be cutting its dividend by 50 per cent. In France, speculation that the franc would be devalued put pressure on the market.

Among the Far Eastern markets, Singapore stood out as Hong Kong again suffered from the "China effect", this time as its neighbour launched a thinly disguised attack on the Jardine Matheson Group.

Most analysts believe that Hong Kong will remain a volatile market right up to the Legco vote in early February. Institutional investors have consequently switched some of their funds away from Hong Kong to other markets in the region, with Singapore seeing some benefit.

According to Kim Eng Securities, Singapore looks poised for a sustained rally in 1993, particularly if the government decides to reduce corporate tax significantly in the spring budget.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Aug 1992	Sep 1992	Oct 1992	Nov 1992	US $bn
Belgium	41.38	42.78	47.56	43.93	1.34
France	64.52	134.26	108.08	92.39	17.07
Germany	101.72	109.19	96.85	92.20	57.84
Italy	6,039.60	10,808.00	17,112.00	24,248.80	17.40
Netherlands	9.80	14.41	14.00	11.70	6.53
Spain	317.47	578.78	687.70	619.31	5.12
Switzerland	9.01	13.40	11.78	11.60	8.07
UK	26.68	45.30	39.78	39.57	59.82

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: County NatWest WoodMac.

EUROPEAN volume figures for November reveal a general decline in activity, with the exception of Italy which continued a trend that began the month before. However, while turnover there jumped by more than 41 per cent, most of it came from domestic investors, says Mr James Cornish at County NatWest Securities, which collates the data. By contrast, the Netherlands showed the biggest fall, of some 18 per cent.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-2.53	-6.06	-18.12	-16.16	-3.18	-18.99
Belgium	-0.02	-1.99	-0.43	-2.58	+12.83	-5.59
Denmark	-2.20	+1.24	-24.58	-24.14	-11.50	-25.96
Finland	-3.16	+8.16	+15.49	+13.29	+9.16	-8.66
France	-0.12	+1.89	+2.93	-0.40	+15.42	-3.43
Germany	+0.74	-3.41	-8.05	-8.40	+6.08	-11.24
Ireland	+5.88	+9.86	-12.51	-12.37	+1.02	-15.48
Italy	+0.73	-6.71	-11.42	-12.31	-14.33	-28.32
Netherlands	-0.47	+1.63	+4.47	+4.55	+21.19	+1.40
Norway	-2.54	+7.65	-9.38	-9.15	-3.83	-19.54
Spain	+1.77	+2.26	-6.87	-10.74	-7.36	-22.49
Sweden	+2.03	+6.76	+18.67	+14.68	+9.62	-8.28
Switzerland	+2.07	+7.70	+21.36	+18.74	+36.38	+14.11
UK	+3.01	+2.78	+16.04	+12.64	+12.64	-5.75
EUROPE	+1.82	+1.59	+6.03	+3.71	+11.07	-7.06
Australia	+1.36	+8.52	-6.34	-10.35	-2.53	-18.44
Hong Kong	-0.20	-11.74	+21.34	+18.25	+42.11	+18.91
Japan	+1.60	+5.34	-19.56	-20.49	-3.70	-19.42
Malaysia	+0.22	-2.20	+20.46	+17.29	+47.78	+23.65
New Zealand	-1.45	+4.96	+0.02	-7.39	+6.02	-11.28
Singapore	+3.14	+7.85	-0.74	-4.13	+13.17	-5.31
Canada	+1.38	+1.89	-2.07	-6.92	-0.94	-15.55
USA	+1.70	+3.20	+15.29	+5.99	+26.67	+5.99
Mexico	-0.47	+6.11	+27.15	+18.82	+38.50	+15.86
South Africa	-0.92	+6.22	-10.59	-10.21	-29.62	-41.11
WORLD INDEX	+1.58	+3.18	+1.02	-3.24	+12.11	-6.19

† Based on December 18th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

EUROPE

Continent starts Christmas week on buoyant form

BOURSES were mostly firmer at the start of the Christmas holiday week, *writes Our Markets Staff.*

FRANKFURT hit a two-week high, the DAX index closing 23.54 or 1.6 per cent higher at 1,515.58, but professionals were not happy about the foundations for the rally. Turnover fell to DM3.9bn from Friday's DM10.4bn, the latter inflated by the "triple-witching" expiry of DTB options and futures contracts.

Dealers said that the short-covering which took the DAX up by 1.1 per cent on Friday was still a factor yesterday, since December contracts could still be covered until 10 am.

The big rises came in stocks which have recently suffered the most. In carmakers, Volkswagen rose DM6.40 to DM244.30, and Daimler by DM14.50 to DM524 after last week's slump on unhappy progress reports. Construction shares recovered after Friday's drop, with Hochtief up DM18 to DM938 and Holzmann DM6 better at DM766.

PARIS ended just below the day's high, driven by futures-related buying and window-dressing ahead of the year-end. The CAC-40 index closed up 26.17 or 1.5 per cent at 1,786.29 in turnover of FFr2.5bn.

Financial stocks were sought on hopes of a cut in interest rates. Paribas added FFr9.70 to FFr359, Société Générale rose FFr8 to FFr581 and UAP put on FFr25.1 to FFr469.

Peugeot bucked the trend, losing FFr12 to FFr560 on reports that a UK buyer had withdrawn from the market.

MILAN was lifted by strong insurers and telecoms as the Comit index added 3.19 to 428.87 in turnover estimated at close to Friday's L151.3bn.

A report in an Italian weekly that British Telecom was interested in buying a stake of between 10 and 20 per cent in Stet got the market going, and the shares were fixed L94 higher at L1,779.

A press report that the government was considering the partial liberalisation of compulsory car insurance sent insurance stocks higher as Generali rose L255 to L27,450 while Ras put on L315 to L18,500.

Sirti rose L399 to L7,899 on news that it had won a L40bn order in Romania.

AMSTERDAM was brighter with only Philips, down 40 cents at Fl 19.00, and Royal Dutch, 90 cents lower at Fl 147.60, among major stocks going against the trend. The CBS Tendency index advanced 0.9 to 104.4.

DSM rose Fl 2.80 to Fl 73.30 as it recovered some of last week's losses on confirmation of lower fourth-quarter earnings. Heineken was Fl 2.00 stronger at Fl 173.80 while Daf put on another 30 cents to Fl 7.70. Nedlloyd rose 20 cents to Fl 28.70 following news after Friday's close that the supervisory board had asked Mr Torstein Hagen to vacate his seat.

STOCKHOLM extended Friday's rally, spearheaded by export-oriented companies. The Affärsvärlden general index rose 21.1 or 2.3 per cent to 921.4 in turnover of SKr920m. Astra accounted for SKr105m of the total, as its A share added SKr17 to SKr750. were unchanged.

SKF bucked the trend, dropping SKr0.50 to SKr69.50 on worries that the ball-bearing group faced possible downgradings by credit agencies after last week's official forecast of a pre-tax loss after financial items of SKr1.8bn in 1992.

ZURICH was mixed with the SMI index advancing 1.7 to 2,047.7. Nestlé and Roche weighed on sentiment with the former's bearers slipping SFr10 to SFr1,125 and the latter's certificates down SFr20 at SFr4,060. But Roche bearers closed up SFr50 at SFr5,750.

Ciba registered shares resisted the downward trend towards the end of the session, closing SFr6 higher at SFr632.

MADRID's general index gained 2.85 to 218.51 on the back of strong financial stocks.

COPENHAGEN's KFX index fell 0.57 to 76.48, as Baltica lost DKr23 to DKr185 on staff cuts in its banking unit. East Asiatic fell DKr5 to DKr79.50 after failing to reach agreement on selling seven Plumrose meat preserve plants to a Danish consortium.

VIENNA saw Universale going against the trend with a fall of Sch35 to Sch760, but off the day's low of Sch745, on a foreign sell order. The ATX index gained 6.13 to 722.9 with OMV recovering Sch11 to Sch578, after last week's losses.

ISTANBUL's 75-share index closed 8.48 higher at 4,030.76 on demand for cement stocks.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

December 21

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1057.19	1057.40	1057.77	1059.03	1059.69	1059.78	1058.69	1059.21
FT-SE Eurotrack 200	1140.90	1141.68	1142.72	1143.84	1145.20	1145.37	1145.02	1145.44

	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14
FT-SE Eurotrack 100	1050.25	1034.41	1036.62	1038.14	1041.16
FT-SE Eurotrack 200	1136.56	1119.02	1117.67	1115.23	1116.33

Base value 1000 (26/10/90) Highday: 100 - 1060.40; 200 - 1145.72 Lowday: 100 - 1056.67 200 - 1140.61

ASIA PACIFIC

Nikkei loses early gains on profit-taking

Tokyo

REPORTS that additional pension funds would be invested in the stock market encouraged early trading, but share prices closed marginally lower on afternoon profit-taking by investment trusts, *writes Emiko Terazono in Tokyo.*

The Nikkei average was finally 35.30 down at 17,645.44, after a morning high of 17,787.56 and an afternoon low of 17,597.59. Tokkin, or specified money trusts, were also seen placing sell orders.

Volume contracted to 250m shares from 320m. Declines led advances by 486 to 481, with 181 issues unchanged. The Topix index of all first section stocks, however, gained 2.0 at 1,345.77, and in London the ISE/Nikkei 50 index edged up 0.35 to 1,096.27.

Weaker futures prompted light arbitrage selling in the afternoon. Investors offered little response to the government's budget draft for next fiscal year to March 1994; this involved a 0.2 per cent rise in general account spending to Y72,354.8bn, the smallest spending growth in six years.

Isuzu Motors, the most active issue of the day, rose Y27 to Y317 on reports of a business tie-up with Honda. Investors focused on those reports rather than news of Isuzu's withdrawal from passenger car products, announced at the same time.

Hyogo Bank, the ailing regional bank, finished Y24 cheaper at Y586 on profit-taking. Up last week on reports of aid from financial authorities, Hyogo continued to rise in the morning but fell later on selling by dealers.

Some high-technology issues rose on hopes of an early US economic recovery, Toshiba by Y5 to Y650 and Sony by Y50 to Y4,250. "The worst of the news has been discounted for electricals, and early buyers are coming in," said Mr Mike Jeremy, electronics analyst at Baring Securities.

The Japan Securities Dealers Association suspended afternoon trading of Jax, an import car dealer listed on the over-the-counter market, to allow investors to confirm reports that Volkswagen, of Germany, had linked with the company. Jax declined to comment. The company is currently the sole distributor for Renault but is said to be terminating its agreement with the French carmaker.

Yokohama Matsuzakaya, the department store which was rumoured to be targeted by foreign speculators, dropped Y85 to Y490 on profit-taking.

In Osaka, the OSE average gained 27.91 at 19,117.68 in volume of 31.9m shares.

Roundup

THE MAIN features in the region yesterday were Hong Kong and Taiwan.

HONG KONG gained as overseas bargain hunters sparked a surge of afternoon buying. The Hang Seng index ended at 5,242.48, up 49.82, as turnover dropped to HK$1.85bn from Friday's HK$3.04bn.

Jardine Matheson Holdings closed HK$1.75 off at HK$41, after an early low of HK$40.50. The most active stock was HSBC Holdings, which rose 50 cents to HK$52.50.

TAIWAN closed 2.2 per cent weaker after the ruling Nationalist party's poor performance in Saturday's parliamentary elections, but bargain hunting lifted prices off early lows.

The weighted index, which was down some 130 points at mid-morning, ended 81.90 off at 3,576.09 in T$13.5bn turnover.

Brokers said the strong gains in the elections by the main opposition, the Democratic Progressive party, had sparked fears of conflict in parliament and worsening divisions within the ruling party.

AUSTRALIA was lifted to a 16-week high by strong buying of leading stocks, in the wake of major gains on overseas markets. The All Ordinaries index finished 21.4 ahead at 1,537.0, but off a high of 1,541.6, in turnover of A$351.8m.

BOMBAY rose as state-owned mutual funds bought into an illiquid market. The BSE index added 65.21 at 2,542.10. It opened strongly but turned back on profit-taking.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 18 1992								THURSDAY DECEMBER 17 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	123.03	+1.4	116.51	95.39	100.14	118.37	+1.2	4.11	121.29	114.28	94.42	98.53	116.97	153.66	108.18	146.46
Austria (19)	134.91	-1.8	127.76	105.15	109.80	110.00	-0.4	2.23	137.34	129.40	106.91	111.57	110.41	186.70	134.91	164.30
Belgium (42)	136.27	+0.3	129.05	106.20	110.90	108.37	+1.0	5.28	135.82	127.97	105.72	110.33	107.35	152.27	133.99	139.49
Canada (113)	115.11	+0.5	109.02	89.71	93.66	106.24	+0.6	3.19	114.49	107.87	89.12	93.00	105.62	142.12	111.36	130.23
Denmark (34)	197.81	-0.5	187.34	154.18	161.00	162.84	-0.1	1.68	198.80	187.32	154.76	161.49	162.98	273.94	181.70	260.99
Finland (15)	71.26	-1.4	67.48	55.54	58.00	76.71	-1.0	1.84	72.24	68.07	56.24	58.68	77.47	89.80	52.84	73.72
France (99)	145.28	+1.2	137.59	113.23	118.24	121.81	+1.3	3.70	143.54	135.24	111.73	116.59	120.23	168.75	136.93	139.78
Germany (64)	104.14	+0.7	98.62	81.18	84.76	84.76	+0.9	2.68	103.43	97.45	80.53	84.02	84.02	129.89	102.51	113.84
Hong Kong (53)	209.71	-2.3	198.60	163.44	170.69	208.28	-2.2	4.33	214.58	202.18	167.04	174.32	213.07	262.28	178.36	170.33
Ireland (16)	141.84	+0.3	134.33	110.55	115.44	118.57	-0.9	4.62	141.42	133.25	110.09	114.88	117.46	173.71	122.98	163.25
Italy (77)	54.04	+1.4	51.18	42.12	43.98	56.71	+1.5	3.66	53.29	50.21	41.48	43.29	55.86	80.86	47.47	71.43
Japan (472)	109.45	+1.4	103.65	85.30	89.09	85.30	+1.6	0.99	107.91	101.67	84.00	87.67	84.00	140.95	87.27	127.04
Malaysia (69)	264.84	+0.6	250.82	206.41	215.55	263.26	+0.7	2.52	263.26	248.05	204.93	213.85	261.34	282.42	212.49	206.50
Mexico (18)	1612.11	+0.6	1526.73	1256.48	1312.10	5495.78	+0.4	1.09	1602.34	1509.76	1247.34	1301.64	5472.97	1769.77	1185.84	1284.51
Netherland (25)	154.82	+0.4	146.62	120.67	126.01	124.51	+0.7	4.57	154.23	145.32	120.06	125.29	123.68	169.70	147.88	148.00
New Zealand (13)	41.68	-0.5	39.47	32.48	33.92	42.76	-0.2	5.22	41.91	39.49	32.62	34.04	42.85	48.52	37.39	44.90
Norway (22)	143.86	+0.7	136.24	112.13	117.09	131.51	+1.6	1.84	142.91	134.65	111.25	116.10	129.43	192.95	126.05	170.23
Singapore (38)	208.02	+1.6	197.01	162.13	169.31	157.22	+1.8	2.10	204.72	192.89	159.36	166.30	154.48	229.83	179.85	208.08
South Africa (60)	146.57	-0.7	138.81	114.24	119.29	155.33	-0.4	3.30	147.62	139.09	114.91	119.91	155.90	263.60	134.21	239.88
Spain (48)	121.24	+0.8	114.82	94.49	98.67	102.27	+1.1	5.69	120.31	113.36	93.66	97.73	101.17	161.72	107.10	146.51
Sweden (31)	166.15	+3.8	157.35	129.50	135.23	170.45	+3.5	2.30	159.99	150.75	124.55	129.97	164.67	200.26	149.69	167.69
Switzerland (60)	114.53	+0.1	108.46	89.27	93.22	100.11	+0.7	2.14	114.46	107.85	89.11	92.99	99.45	122.37	95.99	98.16
United Kingdom (226)	174.68	+1.4	165.43	136.13	142.16	165.43	+1.9	4.46	172.30	162.35	134.11	139.95	162.35	200.07	161.86	174.76
USA (522)	180.06	+1.3	170.52	140.35	146.56	180.06	+1.3	2.84	177.73	167.46	138.36	144.38	177.73	180.06	160.92	157.63
Europe (778)	137.26	+1.1	129.99	106.98	111.72	121.82	+1.4	3.86	135.83	127.98	105.74	110.35	120.10	158.88	131.31	140.16
Nordic (102)	151.84	+2.2	143.80	118.35	123.59	138.86	+2.2	2.07	148.60	140.01	115.68	120.71	135.88	188.52	141.24	175.21
Pacific Basin (713)	113.33	+1.2	107.33	88.33	92.24	90.25	+1.3	1.33	111.95	105.48	87.15	90.94	89.06	141.97	93.70	128.68
Euro-Pacific (1491)	123.01	+1.2	116.50	95.87	100.11	102.99	+1.4	2.48	121.61	114.58	94.66	98.78	101.59	146.21	113.80	133.57
North America (635)	176.04	+1.3	166.71	137.22	143.30	175.06	+1.3	2.85	173.81	163.77	135.32	141.22	172.84	176.04	156.70	155.88
Europe Ex. UK (552)	115.08	+0.8	108.98	89.71	93.68	98.31	+1.1	3.41	114.15	107.56	88.88	92.75	97.26	132.98	111.33	119.39
Pacific Ex. Japan (241)	151.44	-0.1	143.42	118.05	123.27	139.67	-0.2	3.81	151.65	142.89	118.07	123.21	139.90	175.31	146.06	144.87
World Ex. US (1682)	123.92	+1.1	117.35	96.59	100.86	104.99	+1.3	2.50	122.57	115.48	95.42	99.57	103.62	146.91	115.99	135.30
World Ex. UK (1978)	138.77	+1.2	131.42	108.16	112.95	124.36	+1.2	2.43	137.17	129.24	106.78	111.44	122.82	150.58	127.21	138.66
World Ex. So. Af. (2144)	141.97	+1.2	134.45	110.66	115.56	127.70	+1.3	2.64	140.28	132.18	109.21	113.97	126.03	153.05	130.04	141.18
World Ex. Japan (1732)	160.37	+1.1	151.88	125.00	130.54	152.78	+1.2	3.22	158.61	149.45	123.48	128.87	150.92	165.40	151.93	150.98
The World Index (2204)	141.89	+1.2	134.37	110.59	115.49	126.00	+1.3	2.64	140.22	132.11	109.16	113.91	126.33	153.70	130.68	141.82

Latest prices were unavailable for this edition